

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

**INTERIM REPORT 2023**

**August 2023**

## **Part I Important Notes, Table of Contents and Definitions**

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

**Liu Zibin, the Company’s legal representative, and Zhang Keming, head of accounting affairs and head of the accounting department (equivalent to accounting manager) hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.**

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

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

**The international political and economic landscapes have become complicated since 2023, and global inflationary pressure persists. This has placed China’s economy in an increasingly complex and severe external environment. With the full resumption of socioeconomic development, the State Council and governments and departments at all levels launch a range of policies to boost consumption. This has contributed to a gradual recovery in market demand and consistently growing production and supply, presenting an upturn in the national economic recovery. According to the data released by the National Bureau of Statistics, the retail sales of consumer goods between January and June 2023 totaled RMB22.7588 trillion, up 8.2% year on year. This indicates that, as the consumer market is recovering steadily, its supporting role for the textile and apparel industry is significantly enhanced. Additionally, data from China Customs shows that, in the first half of 2023, China’s export of textiles and apparel totaled USD142.68 billion, a year-on-year decrease of 8.8%. This is caused by insufficient demand in overseas markets as a result of the weak global economic recovery. For details, please refer to Part III Management Discussion and Analysis.**

**The Company has no interim dividend plan, either in the form of cash or stock.**

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

## Table of Contents

<b>Part I Important Notes, Table of Contents and Definitions.....</b>	<b>2</b>
<b>Part II Corporate Information and Key Financial Information.....</b>	<b>6</b>
<b>Part III Management Discussion and Analysis.....</b>	<b>9</b>
<b>Part IV Corporate Governance.....</b>	<b>28</b>
<b>Part V Environmental and Social Responsibility.....</b>	<b>30</b>
<b>Part VI Significant Events.....</b>	<b>34</b>
<b>Part VII Share Changes and Shareholder Information.....</b>	<b>41</b>
<b>Part VIII Preferred Shares.....</b>	<b>51</b>
<b>Part IX Bonds.....</b>	<b>52</b>
<b>Part X Financial Statements.....</b>	<b>56</b>

## **Documents Available for Reference**

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

## Definitions

Term	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	The Supervisory Committee of Lu Thai Textile Co., Ltd.
CSRC	The China Securities Regulatory Commission
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “Company Law”	The “Company Law of the People’s Republic of China”
The “Securities Law”	The “Securities Law of the People’s Republic of China”
The “Reporting Period” or “Current Period”	The period from 1 January 2023 to 30 June 2023

## Part II Corporate Information and Key Financial Information

### I Corporate Information

Stock name	LTTC, LTTC-B	Stock code	000726, 200726
Previous stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	鲁泰纺织股份有限公司		
Abbr. (if any)	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	LTTC		
Legal representative	Liu Zibin		

### II Contact Information

	Board Secretary	Securities Representative
Name	Zhang Keming	Zheng Weiyin and Li Kun
Address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China
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### III Other Information

#### 1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address, email address and other contact information of the Company in the Reporting Period.

Applicable  Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2022 Annual Report.

#### 2. Media for Information Disclosure and Place where this Report is Lodged

Indicate by tick mark whether any change occurred to the information disclosure media and the place for lodging the Company's periodic reports in the Reporting Period.

Applicable  Not applicable

The website of the Shenzhen Stock Exchange, media and website where the Company's periodic reports are disclosed, as well as the place for lodging such reports did not change in the Reporting Period. The said information can be found in the 2022 Annual Report.

### 3. Other Information

Indicate by tick mark whether any change occurred to other information in the Reporting Period.

Applicable  Not applicable

### IV Key Financial Information

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

Yes  No

	H1 2023	H1 2022	Change (%)
Operating revenue (RMB)	2,840,491,262.47	3,330,294,463.25	-14.71%
Net profit attributable to the listed company's shareholders (RMB)	221,647,998.15	393,950,852.46	-43.74%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	191,809,861.94	365,579,229.64	-47.53%
Net cash generated from/used in operating activities (RMB)	148,610,216.98	117,482,408.74	26.50%
Basic earnings per share (RMB/share)	0.26	0.45	-42.22%
Diluted earnings per share (RMB/share)	0.23	0.39	-41.03%
Weighted average return on equity (%)	2.42%	4.77%	-2.35%
	30 June 2023	31 December 2022	Change (%)
Total assets (RMB)	13,573,972,109.67	13,351,097,602.03	1.67%
Equity attributable to the listed company's shareholders (RMB)	9,256,925,049.09	9,014,156,872.71	2.69%

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

#### 1. Net Profit and Equity under CAS and IFRS

Applicable  Not applicable

No such differences for the Reporting Period.

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

Applicable  Not applicable

No such differences for the Reporting Period.

### VI Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-86,455.19	
Government subsidies charged to current profit or loss (exclusive of government subsidies consistently given in the Company's ordinary course of business at fixed quotas or amounts as per governmental policies or standards)	27,808,339.07	
Gain or loss on fair-value changes in held-for-trading financial assets and liabilities & income from disposal of held-for-trading financial assets and liabilities and available-for-sale financial assets (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	5,660,105.05	
Reversed portions of impairment allowances for receivables which are tested individually for impairment	2,281,937.13	
Non-operating income and expense other than the above	1,448,586.39	
Less: Income tax effects	6,932,483.87	
Non-controlling interests effects (net of tax)	341,892.37	
Total	29,838,136.21	

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

Applicable  Not applicable

No such cases for the Reporting Period.

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item listed in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.



## Part III Management Discussion and Analysis

### I Principal Activity of the Company in the Reporting Period

With the full resumption of socioeconomic development since 2023, the domestic sales of the textile industry have shown an upturn, further unblocking the industry circulation. However, the sluggish demand in the overseas markets, complicated trade environment, and continuing high production costs have placed the textile industry under pressure in the first half of the year, especially in terms of export. This can be manifested through its main business indicators, including production, efficiency, and investment. In the face of these challenges, the Company adhered to the “customer-focused” philosophy and continued to promote the “Improve Quality and Efficiency” and “Overall Internationalization” strategies. Meanwhile, the Company ensured orderly management and operation by expanding market, adjusting structure and building capabilities.

For the Reporting Period, the Company achieved operating revenue of RMB2,840 million, a net profit attributable to the Company as the parent of RMB222 million, and a net profit attributable to the Company as the parent before exceptional gains and losses of RMB192 million, respectively down 14.71%, 43.74% and 47.53% when compared to the same period of last year. No changes occurred to the Company’s principal operations, products or business models, or the primary factors driving the Company’s growth in the Reporting Period.

During the Reporting Period, the Company was rated by the China National Textile and Apparel Council as the “Outstanding Institution of 2022 for Talent Development in China’s Textile Industry” and “Chinese Textile and Apparel Brand of 2023 with Competitive Edge”. It was also awarded by the Shandong Textile and Apparel Association “Social Responsibility Contribution Award”. The Company mainly focused on the following aspects:

(I) Improve its global marketing system and continuously boost its capabilities of market expansion

The Company adhered to the “customer-focused” philosophy, focused on customer demand, and leveraged its own advantages in the industrial chain and product R&D and design capabilities to boost its marketing capabilities and services. Meanwhile, the Company continuously optimized its customer service procedure, improved exhibition planning and customer management procedures, completed the setup of the overseas marketing team, and expanded the functions of its overseas offices. Doing so helped the Company provide customers with more professional and efficient marketing services, further stabilize its partnership with customers, and boost product competitiveness. Moreover, it attached great importance to the risk control of inventory and sales proceeds during the marketing in order to minimize the business risk.

(II) Continuously advance R&D innovation to further consolidate its competitive edge

During the Reporting Period, the Company advanced the research on the technological research projects at the Company level and reserve technology projects in an orderly manner and enhanced its capability of collaborative leadership in fields including the market, marketing, R&D, and production. It also secured significant advances in projects such as the research on the wearability of regenerated cellulose fabric and the processing technology for high-whiteness knitted fabric. Moreover, the Company intensified its communication and cooperation with strategic suppliers. It rolled out new categories of products through independent R&D and the introduction of cellulosic materials, with materials such as SupF!t, EcoF!t, and FlaxF!t having been promoted and applied to each production line. Technological exchanges with higher education institutes and institutions, such as Donghua University and the National Center for Nanoscience and Technology, were organized by the Company, which delivered four cooperation intentions regarding the progress in cutting-edge technologies (e.g. green dyeing and finishing technology and the development of intelligent textile products).

During the Reporting Period, the Company was granted 34 patents, including 26 ones for invention. It also won the China Patent Award (Silver). Additionally, the Company had three technological achievements assessed by the China National Textile and Apparel Council, including one assessed as an internationally advanced achievement. Moreover, the Company undertook one national key R&D program in the “14th Five-Year Plan” period. These efforts have helped the Company form the “invention patent-

focused” intellectual property development model.

(III) Push ahead with its “Overall Internationalization” strategic layout and improve the efficiency of resource consolidation

In terms of the overseas business segment, by removing the capacity constraints of bottlenecked processes, shortening the delivery period, and improving the sample development capability, the Company filled in the steadily increasing orders of strategic customers. While shortening the delivery period, it also built up its process and technique reserves, strengthened its product development capabilities, refined the Group’s overseas supply chain system, developed more local suppliers of raw materials, re-planned and re-laid out the product exhibition area, completed the categories of fabric samples, and vigorously contributed to the development of the global supply chain systems of manufacturers and distributors.

Next, the Company will thoroughly explore the domestic markets at multiple levels and involving multiple fields, engage in the domestic and international production-demand cycles, and promote technological and business pattern innovation and supply chain updates. It will also coordinate reasonable quantity growth and effective quality improvement. Doing so will contribute to the Company’s achievement of high-quality development.

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

The sluggish demand in the overseas markets, complicated trade environment, and continuing high production costs have placed the textile industry under pressure in the first half of 2023, especially in terms of export. This can be manifested through its main business indicators, including production, efficiency, and investment. End customers are still struggling to reduce inventories, decreasing the downstream demand. Accordingly, businesses generally present a low operating rate and thus face huge business pressure. Nevertheless, China’s apparel export industry remains competitive. Affected by multiple unfavorable factors, such as the increasingly weak demand in the principal markets worldwide and supply chain adjustments, businesses in the industry are struggling to maintain the export scale of the textile and apparel industry and recover in anticipation by expanding into emerging markets and creating new business models. In the future, they must enhance their capabilities and seize market opportunities to actively respond to challenges.

## II Core Competitiveness Analysis

1. The Company has a comprehensive vertical industrial chain and internationalized layout. It possesses the whole industrial chain integrating spinning, bleaching and dyeing, neatening, testing, and garment making, as well as excellent quality control capabilities through various links of the production of high-end yarn-dyed fabrics. In order to leverage international resources, give play to the advantage of internationalized industrial distribution and reinforce the leading international status in manufacturing the fabrics for shirts, the Company has put in place production bases, design agency, and market service offices overseas.

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

3. The Company establishes its high-level technical cooperation platform by virtue of strong R&D capability. In fact, the Company always insists on the independent innovation, enhances its technical cooperation with various research institutes, colleges and universities, strategic clients and important suppliers by relying on various technical platforms including the national enterprise technical center, the national industrial design center, the national demonstration base for introducing talents, the national post-

doctoral scientific research station and Shandong Provincial Engineering Technology Research Center, dedicates itself to the cutting-edge technical research, and gradually transforms from technology research to integrated product development. Besides, the Company will also transform from the overcoming of key technical difficulties to the mastery of technical principles and the formulation of industrial standards, and from the focus on technical innovation to the dynamic integration of new technique exploration with model innovation, materialize the low-carbon, green and sustainable development.

### III Core Business Analysis

Overview:

For the Reporting Period, the Company recorded operating revenue of RMB2,840 million (a 14.71% year-on-year decrease); cost of sales of RMB2,234 million (a 10.55% year-on-year decrease), selling expense of RMB66 million (a 10.88% year-on-year increase), administrative expense of RMB175 million (a 7.87% year-on-year decrease), research and development expense of RMB131 million (a 14.21% year-on-year increase), and net cash generated from operating activities of RMB149 million (a 26.50% year-on-year increase).

Year-on-year changes in key financial data:

Unit: RMB

	H1 2023	H1 2022	Change (%)	Main reason for change
Operating revenue	2,840,491,262.47	3,330,294,463.25	-14.71%	
Cost of sales	2,233,932,367.67	2,497,333,041.59	-10.55%	
Selling expense	66,411,247.30	59,894,351.04	10.88%	
Administrative expense	175,308,361.39	190,280,143.57	-7.87%	
Finance costs	-57,007,476.34	-71,933,482.03	20.75%	
Income tax expense	20,991,415.51	67,767,576.50	-69.02%	Decreased gross profit and R&D expense being allowed for over-deduction in the calculation of the taxable income amount
R&D investments	131,290,032.04	114,951,241.87	14.21%	
Net cash generated from/used in operating activities	148,610,216.98	117,482,408.74	26.50%	
Net cash generated from/used in investing activities	-751,734,011.96	-522,296,795.23	-43.93%	Increased payments for investments
Net cash generated from/used in financing activities	51,586,090.91	136,772,256.21	-62.28%	Decreased borrowings received
Net increase in cash and cash equivalents	-533,029,486.11	-240,373,645.82	-121.75%	

Significant changes to the profit structure or sources of the Company in the Reporting Period:

Applicable  Not applicable

No such changes in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB

	H1 2023		H1 2022		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	

Total	2,840,491,262.47	100%	3,330,294,463.25	100%	-14.71%
By operating division					
Textile and apparel	2,634,843,253.53	92.76%	3,071,908,914.09	92.24%	-14.23%
Electricity and steam	120,527,005.15	4.24%	120,886,686.18	3.63%	-0.30%
Others	85,121,003.79	3.00%	137,498,862.98	4.13%	-38.09%
By product category					
Fabric products	1,932,688,936.22	68.04%	2,439,097,155.42	73.24%	-20.76%
Shirts	702,154,317.31	24.72%	632,811,758.67	19.00%	10.96%
Electricity and steam	120,527,005.15	4.24%	120,886,686.18	3.63%	-0.30%
Others	85,121,003.79	3.00%	137,498,862.98	4.13%	-38.09%
By operating segment					
Hong Kong	117,626,748.26	4.14%	94,978,095.81	2.85%	23.85%
Japan And South Korea	189,783,688.08	6.68%	158,339,499.64	4.75%	19.86%
Southeast Asia	825,289,532.25	29.05%	1,142,731,135.42	34.31%	-27.78%
Europe and America	488,539,769.45	17.20%	554,392,368.30	16.65%	-11.88%
Others	178,285,941.34	6.28%	234,122,756.86	7.03%	-23.85%
Mainland China	1,040,965,583.09	36.65%	1,145,730,607.22	34.41%	-9.14%

Operating division, product category or operating segment contributing over 10% of operating revenue or operating profit:

Applicable  Not applicable

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

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Textile and apparel	2,634,843,253.53	2,032,231,736.66	22.87%	-14.23%	-8.83%	-4.57%
By product category						
Fabric products	1,932,688,936.22	1,502,587,547.17	22.25%	-20.76%	-14.01%	-6.11%
Shirts	702,154,317.31	529,644,189.49	24.57%	10.96%	9.95%	0.69%
By operating segment						
Southeast Asia	825,289,532.25	640,898,239.26	22.34%	-27.78%	-21.83%	-5.91%
Europe and America	488,539,769.45	371,547,663.95	23.95%	-11.88%	-9.70%	-1.83%
Mainland China	1,040,965,583.09	847,868,522.29	18.55%	-9.14%	-6.78%	-2.07%

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

Applicable  Not applicable

Physical stores of the Company:

Yes  No

New physical stores:

Yes  No

Indicate by tick mark whether the Company discloses its top five franchised stores.

Yes  No

## IV Other Information Required by Information Disclosure Guide for Companies Engaged in Textile and Garment Services

### 1. Capacity

The Company's own capacity

Industry Classification	Item	H1 2023	H1 2022
Fabrics	Total capacity (fabrics) (10,000 meters)	14,872.50	14,715.00
	Rate of capacity utilization	70%	87%
	Plants under construction	The Company's convertible bond fundraising projects: The "Functional Fabric Intelligent Eco-park Project (Phase I)" with an annual capacity of 35 million meters of high-grade functional fabrics and the "Overseas Product Line Project of High-grade Fabrics (Phase I)" were in progress.	The Company's convertible bond fundraising projects: The "Functional Fabric Intelligent Eco-park Project (Phase I)" with an annual capacity of 35 million meters of high-grade functional fabrics and the "Overseas Product Line Project of High-grade Fabrics (Phase I)" were in progress.
Textile and apparel	Total capacity (apparel) (10,000 pieces)	1,115.00	1,015.00
	Rate of capacity utilization	84%	85%
	Plants under construction		

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

Yes  No

Capacity utilization decreased as a result of the reduced overseas demand for fabric.

Overseas capacity

Yes  No

Industry Classification	Item	Domestic	Overseas
Fabrics	Percentage of capacity	80%	20%
	Capacity layout	Mainly in Shandong Province	Mainly in Vietnam
	Rate of capacity utilization	68%	77%
Apparel	Percentage of capacity	40%	60%
	Capacity layout	Mainly in Shandong Province	Mainly in Vietnam, Cambodia, and Myanmar

	Rate of capacity utilization	86%	83%
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The Company's expansion plan on developing overseas production capacity

The Company has invested in a production site in Southeast Asia, which is currently in the infrastructure construction phase.

## 2. Sales model and channels

Product sales channels and operation methods

### a. Sales model

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

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

### b. Sales channels

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

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

Unit: RMB

Sales channels	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
Online sales	1,962,704.70	803,334.38	59.07%	11.74%	17.02%	-1.85%
Direct sales	1,938,469,930.72	1,504,273,871.42	22.40%	-20.61%	-13.95%	-6.01%
OEM/ODM	694,410,618.11	527,154,530.86	24.09%	10.49%	9.74%	0.53%

## 3. Selling expense and breakdown thereof

Unit: RMB

Item	H1 2023	H1 2022	Amount of change	percentage of change	Note
Salaries	33,546,461.28	34,521,119.07	-974,657.79	-2.82%	
Marketing expense	16,171,875.20	15,812,366.09	359,509.11	2.27%	
Depreciation costs	3,510,556.38	3,352,693.87	157,862.51	4.71%	
Business travel expenses	3,906,192.17	411,115.04	3,495,077.13	850.15%	Increased business trips to enhance communication with customers
Office costs	7,315,422.95	4,126,339.40	3,189,083.55	77.29%	Increased costs of seasonal maintenance of the heating network

Others	1,960,739.32	1,670,717.57	290,021.75	17.36%	
Total	66,411,247.30	59,894,351.04	6,516,896.26	10.88%	

#### 4. Franchise and distribution

Franchisees and distributors recorded more than 30% of sales revenue

Yes  No

#### 5. Online sales

Online sales recorded more than 30% of sales revenue

Yes  No

Self-developed sales platforms

Yes  No

Start of operation	30 March 2009
Number of registered users	155,000
Average number of active monthly users (AMU)	5,000
Return rate of main brands	3.00%
Return rate of main types	3.00%

Cooperation with third-party sales platforms

Yes  No

Online sales channels opened or closed by the Company

Applicable  Not applicable

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

Not applicable.

#### 6. Agency operation model

Agency operation model involved

Yes  No

#### 7. Inventory

Inventory

Main products	Days of turnover of inventories	Quantity of inventory	Inventory age	Year-on-year change in inventory balance	Reason
Fabrics (10,000 meters)	102	2,898.89	Within 1 year	-35.38%	Accelerated de-stocking
Fabrics (10,000 meters)		748.13	Over 1 year	-23.04%	Accelerated de-stocking
Shirts (10,000)	30	97.98	Within 1	2.49%	

pieces)			year		
Shirts (10,000 pieces)		14.08	Over 1 year	-34.66%	Accelerated de-stocking

Reserves for falling prices of inventory

Item	30 June 2023		
	Gross amount	Falling price reserves or provision for impairment on contract performance cost	Carrying amount
Raw materials	1,054,147,051.45	55,397,065.04	998,749,986.41
Goods in process	529,340,419.70	15,058,185.71	514,282,233.99
Products on hand	885,867,404.34	193,427,654.40	692,439,749.94
Commissioned products	17,371,088.14	-	17,371,088.14
Materials in transit	-	-	-
Total	2,486,725,963.63	263,882,905.15	2,222,843,058.48

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

Not applicable.

## 8. Brand building

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

Yes  No

Self-owned brands

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

Trademark ownership disputes

Applicable  Not applicable

## 9. Others

Engaged in business related to apparel design

Yes  No

Whether the Company held meetings for the placement of orders

Yes  No

## V Analysis of Non-Core Businesses

Applicable  Not applicable



Unit: RMB

	Amount	As % of total profit	Source/Reason	Recurrent or not
Return on investment	46,798,662.00	20.28%	Investment income from the disposal of held-for-trading financial assets	Not
Gain/loss on changes in fair value	-42,471,705.81	-18.41%	Loss on changes in fair value of held-for-trading financial assets	Not
Asset impairments	-75,665,553.95	-32.79%	Inventory valuation allowances	Not
Non-operating income	4,231,250.89	1.83%	Income of non-operating compensation, etc	Not
Non-operating expense	2,464,360.53	1.07%	Non-operating donations, etc.	Not

## VI Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

	30 June 2023		31 December 2022		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	1,551,443,291.97	11.43%	2,067,768,253.97	15.49%	-4.06%	
Accounts receivable	534,155,829.19	3.94%	660,427,526.19	4.95%	-1.01%	
Inventories	2,222,843,058.48	16.38%	2,107,849,708.33	15.79%	0.59%	
Investment property	20,010,251.80	0.15%	20,460,935.21	0.15%	0.00%	
Long-term equity investments	182,835,476.83	1.35%	184,168,625.69	1.38%	-0.03%	
Fixed assets	5,686,991,158.97	41.90%	5,807,847,850.67	43.50%	-1.60%	
Construction in progress	538,603,980.88	3.97%	199,943,501.73	1.50%	2.47%	
Right-of-use assets	487,341,555.12	3.59%	481,420,505.31	3.61%	-0.02%	
Short-term borrowings	527,384,198.32	3.89%	518,946,415.96	3.89%	0.00%	
Contract liabilities	183,455,240.54	1.35%	206,879,672.53	1.55%	-0.20%	
Long-term borrowings	164,369,828.94	1.21%	186,431,096.24	1.40%	-0.19%	
Lease liabilities	97,740,959.65	0.72%	98,501,303.83	0.74%	-0.02%	

### 2. Major Assets Overseas

 Applicable  Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk (yes/no)
Hong Kong project	Incorporated	217,137,052.63	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	6,264,569.51	2.25%	No
America project	Incorporated	900,857.40	New York	Marketing	Main management personnel sent by	-740,116.24	0.01%	No

					the Company as the parent			
Cambodia project	Incorporated	213,812,798.67	Svay Rieng	Manufacturing	Main management personnel sent by the Company as the parent	5,406,050.15	2.22%	No
Myanmar project	Incorporated	118,957,902.84	Rangoon	Manufacturing	Main management personnel sent by the Company as the parent	14,178,564.56	1.23%	No
Vietnam project	Incorporated	3,655,024,262.33	Vietnam	Manufacturing	Main management personnel sent by the Company as the parent	54,418,516.33	37.92%	No
Singapore project	Incorporated	1,364,033,246.86	Singapore	Investment	Main management personnel sent by the Company as the parent	44,201,578.04	14.15%	No

### 3. Assets and Liabilities at Fair Value

Applicable  Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	239,522,650.65	-21,296,535.04			515,020,415.34	80,005,962.14	248,030,000.00	901,270,568.81
2. Derivative financial assets	28,172,508.83	-10,603,652.37						17,568,856.46
5. Other non-current financial assets	337,110,000.00						-248,030,000.00	89,080,000.00
Subtotal of financial assets	604,805,159.48	-31,900,187.41			515,020,415.34	80,005,962.14		1,007,919,425.27
Others	11,208,304.78		-197,321.06				13,085,402.23	24,096,385.95
Total of the above	616,013,464.26	-31,900,187.41	-197,321.06		515,020,415.34	80,005,962.14	13,085,402.23	1,032,015,811.22
Financial liabilities	4,276,929.70	-10,571,518.40						14,848,448.10

Content of other change:

Changes in accounts receivable financing.

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

Yes  No

#### 4. Restricted Asset Rights as at the Period-End

For details, see Part X. VII. 63. Assets with restricted ownership and using right in this Report.

### VII Investments Made

#### 1. Total Investment Amount

Applicable  Not applicable

#### 2. Major Equity Investments Made in the Reporting Period

Applicable  Not applicable

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

Applicable  Not applicable

#### 4. Financial Investments

##### (1) Securities Investments

Applicable  Not applicable

No such cases in the Reporting Period.

##### (2) Investments in Derivative Financial Instruments

Applicable  Not applicable

##### 1) Derivative Investments for Hedging Purposes during the Reporting Period

Applicable  Not applicable

Unit: RMB'0,000

Type of derivative	Initial investment amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Purchased in the Reporting Period	Sold in the Reporting Period	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets
Foreign exchange option	256,788.86	-2,924.38	0.00	108,632.36	138,025.16	118,763.7	12.32%
Total	256,788.86	-2,924.38	0.00	108,632.36	138,025.16	118,763.7	12.32%
Whether significant changes occurred to the Company's accounting policy and	No significant changes						

specific accounting principles of derivatives in the Reporting Period compared to the previous Reporting Period	
Actual gain/loss in the Reporting Period	<p>1. As of 30 June 2023, the Company held 23 undue financial derivatives contracts, totaling USD185 million, all of which were forex option contracts.</p> <p>2. From January to June 2023, the total amount of all due financial derivatives of the Company was equivalent to USD207 million which were all implemented based on contracts, generating gains of RMB16.0054 million.</p>
Effectiveness of hedges	The Company conducts foreign exchange (FX) derivative transactions with the intention of hedging. Specifically, the business is carried out to fix costs, avoid exchange rate risks and improve resistance against FX rate fluctuations. As a result, the Company has gained better capabilities of avoiding and preventing the risks of FX rate fluctuations, and the financial robustness of the Company has been enhanced.
Capital source for derivative investment	The Company's own money
Analysis on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws and regulation.</p> <p>1. Market risk: when the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivatives transactions of the Company. Precautionary measures to be taken include: the Company chooses risk-controlled financial derivative tools with simple structure and good liquidity to carry out the hedging business, strictly controls the scale of financial derivatives trading by staged operations, and adjusts the strategy according to market changes in a timely manner.</p> <p>2. Liquidity risk and credit risk: a credit risk arising from failure of the contractually due Company or counterparty in performing the contract due to liquidity or factors other than liquidity. Precautionary measures to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty.</p> <p>3. Operation risk: The derivatives had high specialty and complexity, so internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, implemented strict authorization and post checks and balances system, meanwhile, it helped them establish a risk-neutral awareness of exchange rate and improved the overall quality of relevant personnel through strengthening the professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum.</p> <p>4. Risk of laws and regulation: The Company conducted derivatives products transaction in strict accordance with relevant laws and rules. If there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. Risk control measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction, formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products transaction business. The Company conducted derivative transaction business according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Transactions of Lu Thai, the Proposal on Plan for Derivative Transaction of Lu Thai Textile Co., Ltd. approved at the 33<sup>rd</sup> Meeting of the 9<sup>th</sup> Board of Directors, and performed relevant information disclosure responsibilities.</p>
Changes of market prices or fair values	In accordance with the relevant provisions and guidelines of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments issued by the Ministry of Finance, the Company took

in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	the relevant accounting measures for its business of FX derivative transactions to reflect the relevant items in the balance sheet and the income statement. During the Reporting Period, the Company determined the fair value of FX options based on the bank's corresponding quotations at the end of the period.
Lawsuit (if applicable)	N/A
Disclosure date of board of directors announcement on approval of derivative investment (if any)	25 May 2022
Disclosure date of general meeting announcement on approval of derivative investment (if any)	
Specific opinion from independent directors on the Company's derivatives investment and risk control	Independent directors Zhou Zhiji, Qu Dongmei, Peng Yanli, and Quan Yuhua have issued the following professional advice on the Company's derivative transaction business: We believe that the Company's foreign exchange derivative transaction business is performed on the condition of ensuring normal operations. Transactions using its own funds are beneficial to avoiding the risk of exchange rate fluctuations, and are an effective tool to hedge exchange rate risk. By strengthening internal control, implementing stop-loss and risk prevention measures, the Company can improve its ability to resist exchange rate fluctuations and improve its management level. The derivative transaction plan proposed by the Board of Directors is feasible, necessary, and the risks are manageable. There is no damage to the interests of the Company and all the shareholders.

## 2) Derivative Investments for Speculative Purposes during the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

## 5. Use of Funds Raised

Applicable  Not applicable

### (1) Overall Use of Funds Raised

Applicable  Not applicable

Unit: RMB'0,000

Raising year	Raising manner	Total of raised capital	Total of raised capital used in this period	Cumulative amount of raised capital used	Total of raised capital which purpose is changed in the report period	Cumulative amount of raised capital which purpose is changed	Ratio of cumulative amount which purpose is changed	Total of raised capital unused	Purpose and direction of raised capital unused	Amount of raised capital unused for two years
2020	Convertible bonds	138,800	20,592.53	112,546.59	0	25,000	18.01%	31,421.81	By 30 June 2023, RMB21.3881 million in the unused raised capital was deposited in the raised capital account, and RMB292.83 million was used for cash management.	0
Total	--	138,800	20,592.53	112,546.59	0	25,000	18.01%	31,421.81	--	0

## General use situation of raised capital

## (I) Amount of actual raised capital and arrival date

Upon approval by China Securities Regulatory Commission in the document “ZJXK [2020]299”, the Company publicly issued 14,000,000 convertible bonds on 9 April 2020 at par value RMB 100, the issued amount was RMB 1.4 billion, and the Company actually received the amount of raised capital RMB 1.388 billion after deducted the underwriting fee RMB 12 million. The above amount was remitted in cash in RMB. After deducted legal fee, accountant fee, credit rating fee, information disclosure fee, issuing commission and other costs RMB 2.54 million in total from the above actually raised capital, the net amount of raised capital was RMB 1385.46 million, which entered the account on 15 April 2020, and Grant Thornton International Ltd (Special General Partnership) issued the capital verification report with reference No. Grant Thornton Verification [2020] 371ZC0090 for it after verification.

## (II) Use situation and balance of raised capital

As at 30 June 2023, the Company directly invested RMB1,125.4659 million in total from the raised capital for its capital raising projects. The unused amount was RMB314.2181 million (including the net income of RMB50.8317 million from interest income deducted handling charge).

## (2) Commitments on Projects with Funds Raised

Applicable  Not applicable

Unit: RMB'0,000

Committed investment projects and use direction of over raised capital	Whether the projects are changed (including partially changed projects)	Total of committed investment of raised capital	Total investment after modification (1)	Amount invested in this report period	Cumulative investment amount by the end of period (2)	Investment progress by the end of period (3) = (2)/(1)	Date when the project reached the intended available status	Benefit realized in this report period	Whether reached the expected benefit	Whether project feasibility changed significantly
Committed investment projects										
1. Functional fabric smart eco-park	No	85,000	85,000	901.08	58,341.02	68.64%	31 December 2024	0	N/A	No

project (Phase 1)										
2. Construction of overseas high-end fabric product line project (Phase I)	Yes	25,000	25,000	19,691.45	25,399.98	101.60%	31 December 2024	0	N/A	No
3. Supplement working capital	No	28,800	28,800		28,805.59	100.02%		0	N/A	No
Subtotal of committed investment projects	--	138,800	138,800	20,592.53	112,546.59	--	--	0	--	--
Use direction of over raised capital										
N/A										
Repayment of bank loans (if any)	--	0	0	0	0	0.00%	--	--	--	--
Supplement working capital (if any)	--	0	0	0	0	0.00%	--	--	--	--
Subtotal of use director of over raised capital	--	0	0	0	0	--	--		--	--
Total	--	138,800	138,800	20,592.53	112,546.59	--	--	0	--	--
Explain project by project situation and reasons that it did not reach the planned progress or expected return (including reason for inputting "N/A" for "Whether reached the expected benefit")	Due to objective factors such as socio-economic and macro-environmental factors, the construction process of the functional fabric smart eco-park project (Phase 1) has been affected to a certain extent in terms of the procurement of equipment and input of personnel, etc., and it is expected to be postponed until December 2024 to be ready for its intended use.									
Note for significant change of project feasibility	N/A									
Amount, purpose and use progress	N/A									

of over raised capital	
Change of implementation on site of capital raising project	N/A
Adjustment of implementation mode of capital raising project	N/A
Advance investment and displacement of capital raising project	Applicable  By 30 April 2020, the total amount of displaced capital was RMB191.4288 million, including the amount RMB 189.8388 million invested in the project with the self-raised capital of the Company in advance, and payment of issuing cost RMB1.59 million with its self-raised capital.
Temporary supplement to working capital with unused raised capital	N/A
Balance of raised capital after implementation of project and relevant reasons	N/A
Purpose and use direction of unused raised capital	By 30 June 2023, RMB21.3881 million in the unused raised capital was deposited in the raised capital account, and RMB292.83 million was used for cash management.
Problems existing in use and information disclosure of raised capital or other situation	None

### (3) Changes in Projects with Funds Raised

Applicable  Not applicable

Unit: RMB'0,000

Items after changes	Corresponding original committed items	Amount of planned funds invested	Actual investment amount in the Reporting	Accumulative investment amount as the	Investment schedule as the period-	Date of reaching intended use of the project	Realized income in the Reporting Period	Whether reached anticipated income	Whether occurred significant changes in project
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		after changes (1)	Period	period-end (2)	end (3)=(2)/(1)				feasibility
Construction of overseas high-end fabric production line project (Phase I)	High-end printing and dyeing fabric production line project	25,000	19,691.45	25,399.98	101.60%	31 December 2024	0	N/A	No
Total	--	25,000	19,691.45	25,399.98	--	--	0	--	--
Notes of reasons for changes, decision-making procedures and information disclosure (by specific items)			In accordance with the Company's global strategic layout and market demand, the Company planned to adjust its capacity structure. On 9 June 2022, the second extraordinary general meeting and the first bondholders' meeting deliberated and adopted the Proposal on Changing the Purpose of Partial Raised Capital Unused. The aim was to terminate the "High-end printing and dyeing fabric production line project" and leverage the raised capital of this project of RMB250 million for construction of overseas high-end fabric production line project (Phase I), disclosed on 10 June 2022 on the cninfo website ("www.cninfo.com.cn").						
Condition and reason for not reaching the schedule and anticipated income (by specific items)			N/A						
Notes of condition of significant changes occurred in project feasibility after changes			N/A						

## VIII Sale of Major Assets and Equity Interests

### 1. Sale of Major Assets

Applicable  Not applicable

No such cases in the Reporting Period.

### 2. Sale of Major Equity Interests

Applicable  Not applicable

## IX Major Subsidiaries

Applicable  Not applicable

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

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Lufeng Weaving & Dyeing	Subsidiary	Fabric	706160000	1,652,667,977.45	1,397,190,942.29	630,672,258.24	7,475,358.75	6,009,887.37

ng Co., Ltd.								
Shandong Lulian New Materials Co., Ltd.	Subsidiary	Fabric	400000000	685,899,119.34	136,143,618.67	59,510,967.89	-57,545,974.11	-57,542,354.11

Subsidiaries obtained or disposed in the Reporting Period:

Applicable  Not applicable

Information about major majority- and minority-owned subsidiaries:

LuFeng Company Limited (hereinafter referred to as “LuFeng”) is the holding subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.160 million. The mainly manufacturing and selling textile printing and dyeing products and the products of clothing and garments, and it were authenticated to be high-tech enterprise in October 2014. During the Reporting Period, with the weak consumer demand across the globe, LuFeng saw decreased export and high-added-value orders, leading to a decline in both operating revenue and net profit.

Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as "Lulian New Materials") is the holding subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB 400 million. It was established in April 2019 and mainly manufacturing and selling functional fabrics. During the Reporting Period, it was ramping up production and part of products were released continually.

## X Structured Bodies Controlled by the Company

Applicable  Not applicable

## XI Risks Facing the Company and Countermeasures

1. Impact of economic environment: under the enormous uncertainty risk of the international trade, the geopolitical risk and the impact of the global economic downturn, the Company will face challenges in terms of international trade policies and market changes. In addition, the economic development of China should be transformed and upgrade, therefore, the Company will continue to strictly guarantee production and safety and further utilize various resources at home and abroad to develop domestic and overseas markets, so as to catch new development opportunities.

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

3. Change of exchange rate: the Company has a large ratio in import and export business. In recent years, the bi-directional fluctuations in RMB exchange rate have become increasingly normal and flexible. The exchange rate fluctuation will place a remarkable impact on its performance. To lower the impact of exchange rate fluctuations, the Company stuck to the risk-neutral philosophy. Based on actual needs arising from production and operations, it incorporated exchange rate risks into routine operations management, and took measures at proper timing to minimize the influence of exchange rate risks on the operations: firstly, the Company appropriately conducted foreign exchange hedging, using forward FX sales and purchase, forward foreign

exchange trading and option portfolios to avoid some risks Secondly, the Company made reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Thirdly, the Company adjusted the Renminbi and foreign-currency liabilities structure to actively prevent risks. Fourthly, according to the fluctuation trend of exchange rates, the Company properly adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company.

## Part IV Corporate Governance

### I Annual and Extraordinary General Meeting Convened during the Reporting Period

#### 1. General Meetings Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The 2022 Annual General Meeting	Annual General Meeting	32.95%	12 May 2023	13 May 2023	It deliberated and approved 19 proposals, including the Proposal on 2022 Annual Work Report of the Board of Directors, the Proposal on 2022 Annual Work Report of the Supervisory Committee, and the Proposal on the Company's 2022 Annual Report and Its Summary.

#### 2. Extraordinary General Meeting Convened at Request of Preference Shareholders with Resumed Voting Rights

Applicable  Not applicable

### II Change of Directors, Supervisors and Senior Management

Applicable  Not applicable

The Company's directors, supervisors and senior management remained unchanged during the Reporting Period. For details, see the 2022 Annual Report.

### III Interim Dividend Plan

Applicable  Not applicable

The Company has no interim dividend plan, either in the form of cash or stock.

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

Applicable  Not applicable

#### 1. Equity Incentive

No.	Deliberation time	Relevant meeting	Overview of execution	Disclosure index
1	10 April 2023	7th Meeting of the 10th Board of Directors and 6th Meeting of the 10th Supervisory Committee	The Board of Directors reviewed and approved the Proposal on the Achievement of Lifting the Restriction Conditions in the First Restriction Period for the Reserved Shares for Grant under the 2021 Restricted Share Incentive Scheme and the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition. The independent directors consented independently to relevant matters. The Supervisory Committee reviewed and approved the foregoing two proposals and issued the written review opinions. Beijing DHH	For details, see relevant announcements (No.: 2023-015, 2023-016, 2023-023, and 2023-024) and documents disclosed on April 12, 2023 on www.cninfo.com.cn.

			Law Firm Qingdao Office issued a legal opinion. The number of subjects of incentive meeting the restriction lifting conditions for the reserved shares for grant under the 2021 Restricted Share Incentive Scheme of the Company was up to 343, and a total of 2,919,000 restricted shares were lifted out of restrictions. The foregoing shares were listed and traded on 9 May 2023.	
2	5 May 2023	-	It issued the Indicative Announcement on the Trading on the Market of Lifting the Restriction in the First Restriction Period for the Reserved Shares for Grant of the 2021 Restricted Share Incentive Scheme.	For details, see the relevant announcement (No.: 2023-027) disclosed on May 5, 2023 on www.cninfo.com.cn.
3	12 May 2023	2022 Annual General Meeting	It deliberated on and approved the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition and disclosed the Announcement of Capital Reduction on Repurchase and Cancel Partial Restricted Shares on 13 May 2023.	For details, see relevant announcements (No.: 2023-032 and 2023-033) disclosed on May 13, 2023 on www.cninfo.com.cn.
4	26 May 2023	9th Meeting of the 10th Board of Directors and the 8th Meeting of the 10th Supervisory Committee	The Board of Directors reviewed and approved the Proposal on the Achievement of Lifting the Restriction Conditions in the Second Restriction Period for the First Grant of the 2021 Restricted Share Incentive Scheme. The independent directors consented independently to relevant matters. The Supervisory Committee reviewed and approved the foregoing proposal and issued the written review opinions. The number of subjects of incentive meeting the restriction lifting conditions in the second restriction period for the first grant under the 2021 Restricted Share Incentive Scheme of the Company was up to 717, and a total of 6,979,500 restricted shares were lifted out of restrictions. The foregoing shares were listed and traded on 8 June 2023.	For details, see relevant announcements (No.: 2023-036 and 2023-037) disclosed on May 27, 2023 on www.cninfo.com.cn.
5	1 June 2023	-	It issued the Indicative Announcement on the Trading on the Market of Lifting the Restriction in the Second Restriction Period for the First Grant of the 2021 Restricted Share Incentive Scheme.	For details, see the relevant announcement (No.: 2023-040) disclosed on June 1, 2023 on www.cninfo.com.cn.

## 2. Implementation of Employee Stock Ownership Plan

Applicable  Not applicable

## 3. Other Incentive Measures for Employees

Applicable  Not applicable

## Part V Environmental and Social Responsibility

### I Major Environmental Issues

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

Yes  No

Policies and industry standards pertaining to environmental protection

During production and operation, Lu Thai Textile Co., Ltd. and its holding subsidiaries, LuFeng Company Limited and Shandong Lulian New Materials Co., Ltd., its wholly owned subsidiary, Zibo Xinsheng Thermal Power Co., Ltd., are subject to the following laws and regulations and industry standards related to environmental protection: The Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Contingency Management Measures for Environmental Emergencies, the Emission Standards of Water Pollutants in Textile Dyeing and Finishing Industry (GB4287-2012), the Standard for Pollution Control on the Municipal Solid Waste Incineration (GB18485-2014), and the Emission Standard of Air Pollutants of Thermal Power Plants (DB37/664-2019).

Status of environmental protection administrative license

Lu Thai Textile Co., Ltd. and its holding subsidiaries, including LuFeng Company Limited, Shandong Lulian New Materials Co., Ltd., and Zibo Xinsheng Thermal Power Co., Ltd. carried out pollutant discharge permit management and were granted the pollutant discharge permit by the Ecology and Environment Bureau of Zibo. The current pollutant discharge permit of Lu Thai Textile Co., Ltd. is valid until 9 June 2026; that of LuFeng Company Limited is valid until 22 November 2026; that of Shandong Lulian New Materials Co., Ltd. is valid until 25 October 2026; that of Zibo Xinsheng Thermal Power Co., Ltd. is valid until 22 June 2025.

The regulations for industrial emissions and the particular requirements for controlling pollutant emissions those are associated with production and operational activities.

Name of polluter	Type of major pollutants	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration/intensity	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Lu Thai Textile Co., Ltd	Sewage	COD and ammonia nitrogen	Continuous discharge	2	Chief discharge outlet of Huangjia pu Industrial Park ; chief discharge outlet of East Zone	COD≤200mg/L; ammonia nitrogen ≤20mg/L	Emission standard of water pollutants in textile dyeing and finishing industry GB 4287-2012	COD: 132.609t ; ammonia nitrogen: 1.596t	COD: 1495.08t ; ammonia nitrogen: 149.51t	No
LuFeng Company Limited	Sewage	COD and ammonia nitrogen	Continuous discharge	1	Chief discharge outlet of LuFeng	COD≤200mg/L; ammonia nitrogen ≤20mg/L	Emission standard of water pollutant	COD: 71.659t ; ammonia	COD is 653.53t ; ammonia	No

					Company Limited	L	s in textile dyeing and finishing industry GB 4287-2012	nitrogen: 1.503t	nitrogen is 65.3t	
Shandong Lulian New Materials Co., Ltd.	Sewage	COD and ammonia nitrogen	Continuous discharge	1	Chief discharge outlet of Lulian New Materials	COD $\leq$ 200mg/L; ammonia nitrogen $\leq$ 20mg/L	Emission standard of water pollutants in textile dyeing and finishing industry GB 4287-2012	COD: 15.935t; ammonia nitrogen: 0.246t	COD is 175.30t; ammonia nitrogen is 17.5t	No
Zibo Xinsheng Thermal Power Co., Ltd.	Waste gas	SO <sub>2</sub> , NO <sub>x</sub> , and PM	Organized continuous discharge	4	Production plant	SO <sub>2</sub> : $\leq$ 35mg/m <sup>3</sup> , NO <sub>x</sub> : $\leq$ 50mg/m <sup>3</sup> , PM: $\leq$ 5mg/m <sup>3</sup>	Emission standard of air pollutants of Thermal Power Plant in Shandong Province DB37/664-2019	SO <sub>2</sub> : 16.55t, NO <sub>x</sub> : 57.2t, PM: 1.677t	SO <sub>2</sub> is 236.13t/a, NO <sub>x</sub> : 674.63t/a, PM: 67.47t/a.	No

#### Treatment of pollutants

Lu Thai Textile Co., Ltd. (hereinafter referred to as “the Company”) and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. (hereinafter referred to as “Lufeng Weaving & Dyeing”) and Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as “Lulian New Materials”) strictly implement the “Three Simultaneous” management system for environmental protection in project constructions. The companies are equipped with complete facilities for waste gas and waste water treatment. Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. and Shandong Lulian New Materials Co., Ltd. continuously optimize the dyeing waste water treatment progress, improve the treated water quality, ensure that the pollutant emission concentration is better than the national standard, further improve the river water quality and local ecological environment. The Company and Lufeng Weaving & Dyeing centralizedly collected and coped with the dyeing and finishing waste gas, so as to greatly reduce the pollutant emission concentration. Online supporting monitoring facilities were built, whose data was uploaded to the government environmental monitoring system, to comprehensively monitor the Company's emission pollutants such as waste water and waste gas. Support teams were set up to be responsible for daily operation maintenance and inspection to guarantee the normal operation of facilities. Both the exhaust emission and waste water discharge meet the emission standards.

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

overall system works well.

#### Emergency plan for environmental incidents

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

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

#### Input in environment governance and protection and payment of environmental protection tax

During the Reporting Period, the input in environment governance and protection and payment of environmental protection tax for the Company and the holding subsidiary Lufeng Weaving & Dyeing and Lulian New Materials are RMB23.2560 million in total, among which, RMB22.7832 million for input in environment governance and protection and RMB472.8 thousand for payment of environmental protection tax.

#### Environmental self-monitoring program

In accordance with the requirements of the competent environment authorities, the Company and the holding subsidiary Lufeng Weaving & Dyeing and Lulian New Materials observed the requirements of the superior environmental protection department to install automatic wastewater monitoring facilities and achieve real-time monitoring of wastewater discharge. Besides, the automatic environment monitoring plan was prepared as required by emission permit. In addition, they invited a qualified testing institution to conduct tests on sewage and waste gas based on the frequency of monitoring, disclosed the monitoring data in time, and submitted the test reports to the competent environment authorities ensuring the monitoring data is true and valid.

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

#### Administrative penalties imposed for environmental issues during the Reporting Period

Name	Reason	Case	Result	Influence on production and operation	Rectification measures
N/A	N/A	N/A	N/A	N/A	N/A

#### Other environment information that should be disclosed

None

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

Applicable  Not applicable

None

#### Other environmental information

None

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

#### Related environmental accidents information

None



## **II Social Responsibility**

Not applicable

## Part VI Significant Events

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

Applicable  Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in time of IPO or refinancing	Controlling shareholder, actual controller	Dilution of at sight returns on public offering A-share convertible corporate bonds	1. Not intervene the Company's operation and management beyond the authority and not occupy the Company's interests. 2. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, the company / I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 3. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by the company / me. If the company / I violate(s) such commitment and cause(s) losses to the Company or investors, the company / I will bear the compensation responsibility to the Company or investors in accordance with the law.	23 May 2019	From 23 May 2019 to 8 April 2026	On-going
Commitments made in time of IPO or refinancing	Directors and senior management of the Company	Dilution of at sight returns on public offering A-share convertible corporate bonds	1. Commitment is made not to transfer benefits to other units or individuals free of charge or under unfair conditions, and no other ways damaging the interests of the Company will be taken. 2. I will strictly abide by the budget management of the Company, and accept the strict supervision and management of the Company to avoid waste or excessive consumption. Any position-related consumption	23 May 2019	From 23 May 2019 to 8 April 2026	On-going

			<p>behaviors of me will occur within the scope necessary for the performance of my duties. 3. Commitment is made not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties. 4. Commitment is made that the remuneration system developed by the Board of Directors or the Remuneration Committee is linked to the implementation of the Company's remedial measures for returns. 5. Commitment is made that the conditions for exercising the Equity Incentive Plan to be issued in the future will be linked to the implementation of the Company's remedial measures for returns. 6. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 7. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by me. If I violate such commitment and causes losses to the Company or investors, I will bear the compensation responsibility to the Company or investors in accordance with the law.</p>			
Executed on time or not	Not					

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

Applicable  Not applicable

No such cases in the Reporting Period.

### **III Irregularities in the Provision of Guarantees**

Applicable  Not applicable

No such cases in the Reporting Period.

### **IV Engagement and Disengagement of Independent Auditor**

Are the interim financial statements audited?

Yes  No

The interim financial statements have not been audited.

### **V Explanations Given by the Board of Directors and the Supervisory Committee Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period**

Applicable  Not applicable

### **VI Explanations Given by the Board of Directors Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of Last Year**

Applicable  Not applicable

### **VII Insolvency and Reorganization**

Applicable  Not applicable

No such cases in the Reporting Period.

### **VIII Legal Matters**

Significant lawsuits and arbitrations:

Applicable  Not applicable

No such cases in the Reporting Period.

Other legal matters:

Applicable  Not applicable

### **IX Punishments and Rectifications**

Applicable  Not applicable

### **X Credit Quality of the Company as well as its Controlling Shareholder and De Facto Controller**

Applicable  Not applicable

## **XI Major Related-Party Transactions**

### **1. Continuing Related-Party Transactions**

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

### **3. Related-Party Transactions Regarding Joint Investments in Third Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

### **4. Credits and Liabilities with Related Parties**

Applicable  Not applicable

No such cases in the Reporting Period.

### **5. Transactions with Related Finance Companies**

Applicable  Not applicable

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

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

Applicable  Not applicable

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

### **7. Other Major Related-Party Transactions**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XII Major Contracts and Execution thereof**

### **1. Entrustment, Contracting and Leases**

#### **(1) Entrustment**

Applicable  Not applicable

No such cases in the Reporting Period.

**(2) Contracting**

Applicable  Not applicable

No such cases in the Reporting Period.

**(3) Leases**

Applicable  Not applicable

No such cases in the Reporting Period.

**2. Major Guarantees**

Applicable  Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries										
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Wholly-owned subsidiary	26 August 2022	23,845.14	24 August 2022	6,698.89	Joint-liability	N/A	N/A	Three years since the approval of the board of the Company	No	Yes
Wholly-owned subsidiary	1 July 2023	7,225.8	30 June 2023	0	Joint-liability	N/A	N/A	Three years since the approval of the board of the Company	No	Yes
Total approved line for such guarantees in the Reporting Period (B1)		7,225.8		Total actual amount of such guarantees in the Reporting Period (B2)		1,956.96				
Total approved line for such guarantees at the end of the Reporting Period (B3)		31,070.94		Total actual balance of such guarantees at the end of the Reporting Period (B4)		6,698.89				
Guarantees provided between subsidiaries										
Obligor	Disclosure date of the guarantee line	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party

announc ement					or not
Total guarantee amount (total of the three kinds of guarantees above)					
Total guarantee line approved in the Reporting Period (A1+B1+C1)	7,225.8	Total actual guarantee amount in the Reporting Period (A2+B2+C2)	1,956.96		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	31,070.94	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	6,698.89		
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		0.72%			
Of which:					
Balance of guarantees provided for shareholders, actual controller and their related parties (D)		0			
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)		0			
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)		0			
Total of the three amounts above (D+E+F)		0			
Joint responsibilities possibly borne or already borne in the Reporting Period for undue guarantees (if any)		N/A			
Explanation about external guarantee violating established procedure (if any)		N/A			

Compound guarantees:

N/A

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

Whether the Company provides guarantees or financial assistance for dealers

Yes  No

### 3. Cash Entrusted for Wealth Management

Applicable  Not applicable

RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount	Overdue amount with provision for impairment
Bank's financial products	Raised funds	39,100	21,700	0	0
Bank's financial products	Self-owned funds	26,500	12,500	0	0
Brokerage financial products	Raised funds	9,000	1,000	0	0
Brokerage financial products	Self-owned funds	115,181.8	2,000.2	0	0
Total		189,781.8	37,200.2	0	0

Particulars of entrusted cash management with single significant amount or low security, bad liquidity, and no capital preservation

Applicable  Not applicable

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

Applicable  Not applicable

#### **4. Other Major Contracts**

Applicable  Not applicable

No such cases in the Reporting Period.

### **XIII Other Significant Events**

Applicable  Not applicable

The Proposal on Repurchase of Domestically Listed Foreign Shares (B-Stock) was approved at the 10<sup>th</sup> Meeting of the 10<sup>th</sup> Board of Directors and the First Extraordinary General Meeting of 2023. As such, an amount of no more than RMB200 million would be used to repurchase shares, with a price limit of HKD4.80 per share, within 12 months from the date when the share repurchase plan was approved at the general meeting. For details, see the relevant announcements (No.: 2023-043, 2023-044, 2023-053, and 2023-055) and documents disclosed on 20 June 2023 and 7 July 2023 on [www.cninfo.com.cn](http://www.cninfo.com.cn).

### **XIV Significant Events of Subsidiaries**

Applicable  Not applicable



## Part VII Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	20,647,892	2.33%				-9,168,500	-9,168,500	11,479,392	1.33%
1. Shares held by State									
2. Shares held by state-owned legal person									
3. Shares held by other domestic investors	20,647,892	2.33%				-9,168,500	-9,168,500	11,479,392	1.33%
Among which: Shares held by domestic legal person						0			
Shares held by domestic natural person	20,647,892	2.33%				-9,168,500	-9,168,500	11,479,392	1.33%
4. Shares held by other foreign investors									
Among which: Shares held by foreign corporations									
Shares held by foreign natural person									
II. Unrestricted	866,985,259	97.67%				-14,767,132	-14,767,132	852,218,127	98.67%

shares									
1. RMB ordinary shares	570,804,568	64.31%				9,168,616	9,168,616	579,973,184	67.15%
2. Domestically listed foreign shares	296,180,691	33.37%				-23,935,748	-23,935,748	272,244,943	31.52%
3. Overseas listed foreign shares									
4. Other									
III. Total shares	887,633,151	100.00%				-23,935,632	-23,935,632	863,697,519	100.00%

Reasons for share changes:

Applicable  Not applicable

① Due to the fact that the Company had issued convertible A-share bonds on 9 April 2020, convertible bonds were converted to 116 shares in the period from the beginning of 2023 to 30 June, 2023.

② On 9 May and 8 June 2023, 2,919,000 and 6,979,500 shares of equity incentive restricted shares were lifted from restriction, respectively.

③ On 25 May 2023, 23,935,748 domestically listed foreign shares (B shares) were repurchased and canceled.

④ Due to the lift of restrictions on the equity incentive restricted shares, the shares held by the directors and executives shall be unlocked and adjusted in accordance with relevant regulations on executive share management.

Approval of share changes:

Applicable  Not applicable

① On 10 April 2023, the Company held the 7th Meeting of the 10th Board of Directors and the 6th Meeting of the 10th Supervisory Committee, and reviewed and approved the Proposal on the *Achievement of Lifting the Restriction Conditions in the First Restriction Period for the Reserved Shares for Grant under the 2021 Restricted Share Incentive Scheme*. Also, the Company agreed to process the restriction lifting matters for 2,919,000 restricted shares held by 343 incentive personnel who met the restriction lifting conditions in the first restriction period for the reserved shares for grant under the 2021 Restricted Share Incentive Scheme.

② The Company held the 2nd Meeting of the 10th Board of Directors on 29 June 2022 and the 3rd Extraordinary General Meeting of 2022 on 15 July 2022, reviewing and approving the *Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share)*. The Company repurchased 23,935,748 B shares in total through call auction via its securities account for repurchase and completed the formalities for cancellation of the foregoing repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 25 May 2023.

③ On 26 May 2023, the Company held the 9th Meeting of the 10th Board of Directors and the 8th Meeting of the 10th Supervisory Committee, and reviewed and approved the *Proposal on the Achievement of the Lifting Restriction Conditions in the Second Restriction Period for the First Grant of the 2021 Restricted Share Incentive Scheme*. Also, the Company agreed to process the restriction lifting matters for 6,979,500 restricted shares held by 717 incentive personnel who met the restriction lifting conditions in the second restriction period for the first grant of the 2021 Restricted Share Incentive Scheme.

Transfer of share ownership:

Applicable  Not applicable

The Company completed the formalities for cancellation of the 23,935,748 repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 25 May 2023.

Progress on any share repurchases:

Applicable  Not applicable

The Company first repurchased B shares on 27 July 2022 and disclosed relevant progress during the repurchase period as required by relevant laws and regulations. As at 8 May 2023, all the repurchased shares had been delivered, and the total amount of funds used had hit the ceiling on the repurchase fund as stipulated in the repurchase program. The Company repurchased 23,935,748 B shares in total through call auction via its securities account for repurchase, accounting for approximately 8.08% of the Company's B shares and 2.70% of the Company's total share capital. The highest transaction price of the repurchase reached HKD4.80 per share, and the lowest reached HKD4.17 per share. The total amount paid was HKD112,191,959.87 (including the transaction cost), equivalent to RMB99,999,967.54, no more than RMB100 million. The foregoing repurchased shares were canceled at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 25 May 2023.

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable  Not applicable

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

Applicable  Not applicable

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

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

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

Unit: share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares relieved of the period	Restricted shares increased of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
Zhang Zhanqi	485,225	190,000	140,000	435,225	Locked public shares held by senior management and Restricted shares from equity incentive	100000 shares on 9 May 2023 and 90000 shares on 8 June 2023
Yu Shouzheng	312,325	110,000	85,000	287,325	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023
Zhang Keming	308,275	110,000	85,000	283,275	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023
Wang Jiabin	287,775	90,000	37,500	235,275	Locked public shares held by senior management and Restricted shares from equity incentive	90000 shares on 8 June 2023
Shang Chenggang	272,500	110,000	85,000	247,500	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023
Li Wenji	257,500	110,000	47,500	195,000	Locked public	50000 shares on 9 May 2023

					shares held by senior management and Restricted shares from equity incentive	and 60000 shares on 8 June 2023
Du Lixin	250,000	110,000	47,500	187,500	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023
Guo Heng	250,000	110,000	85,000	225,000	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023
Xu Feng	190,000	95,000	47,500	142,500	Locked public shares held by senior management and Restricted shares from equity incentive	50000 shares on 9 May 2023 and 45000 shares on 8 June 2023
Lyu Wenquan	150,000	70,000	70,000	150,000	Locked public shares held by senior management and Restricted shares from equity incentive	25000 shares on 9 May 2023 and 45000 shares on 8 June 2023
Other restricted shareholders	17,884,292	8,793,500		9,090,792	Locked public shares held by senior management and Restricted shares from equity incentive	2444000 shares on 9 May 2023 and 6349500 shares on 8 June 2023
<b>Total</b>	<b>20,647,892</b>	<b>9,898,500</b>	<b>730,000</b>	<b>11,479,392</b>	<b>--</b>	<b>--</b>

## II. Issuance and Listing of Securities

Applicable  Not applicable

## III Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the period-end	53,240	Total number of preference shareholders with resumed voting rights at the period-end (if any) (see Note 8)	0
5% or greater ordinary shareholders or the top 10 ordinary shareholders			

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged, marked or frozen shares	
							Status	Number
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	16.25%	140,353,583	0	0	140,353,583		
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.69%	118,232,400	0	0	118,232,400		
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.30%	19,884,100	0	0	19,884,100		
National Social Security Fund Portfolio 413	Other	1.54%	13,260,051	0	0	13,260,051		
ICBC Credit Suisse Innovation Power Stock Type Securities Investment Fund	Other	1.38%	11,910,000	6810000	0	11,910,000		
ICBC Credit Suisse Selected Balanced Mixed Securities Investment Fund	Other	0.84%	7,230,000	7230000	0	7,230,000		
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	Foreign legal person	0.61%	5,259,028	635654	0	5,259,028		
Dacheng China Securities Asset Management Plan	Other	0.61%	5,235,900	0	0	5,235,900		
GF China Securities Asset Management Plan	Other	0.56%	4,833,300	-402600	0	4,833,300		
Yinhua China Securities Asset Management Plan	Other	0.50%	4,320,212	-72100	0	4,320,212		

Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)	Naught		
Related or acting-in-concert parties among the shareholders above	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder as well as sponsor of foreign capital of the Company. All of other shareholders are people holding public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.		
Explain if any of the shareholders above was involved in entrusting/being entrusted with voting rights or waiving voting rights	Naught		
Special account for share repurchases (if any) among the top 10 shareholders (see note 11)	Naught		
<b>Shareholdings of the top ten non-restricted ordinary shareholders</b>			
Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Shares
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB ordinary share	140,353,583
Tailun (Thailand) Textile Co., Ltd.	118,232,400	Domestically listed foreign shares	118,232,400
Central Huijin Assets Management Co., Ltd.	19,884,100	RMB ordinary share	19,884,100
National Social Security Fund Portfolio 413	13,260,051	RMB ordinary share	13,260,051
ICBC Credit Suisse Innovation Power Stock Type Securities Investment Fund	11,910,000	RMB ordinary share	11,910,000
ICBC Credit Suisse Selected Balanced Mixed Securities	7,230,000	RMB ordinary	7,230,000

Investment Fund		ry share	
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	5,259,028	Domes- tically listed foreign shares	5,259,028
Dacheng China Securities Asset Management Plan	5,235,900	RMB ordina- ry share	5,235,900
GF China Securities Asset Management Plan	4,833,300	RMB ordina- ry share	4,833,300
Yinhua China Securities Asset Management Plan	4,320,212	RMB ordina- ry share	4,320,212
Explanation on connected relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder and the actual controller of the Company. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding tradable A-shares or B-shares. And it is unknown whether there is any related party or acting-in-concert party among them.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	Naught		

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

Yes  No

No such cases in the Reporting Period.

#### IV Change in Shareholdings of Directors, Supervisors and Senior Management

Applicable  Not applicable

Name	Office title	Incumbent/former	Beginning shareholding (share)	Increase in the Current	Decrease in the	Ending shareholding (share)	Number of granted restricted	Number of restricted	Number of granted restricted
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				Period (share)	Current Period (share)		shares at the period- begin (share)	shares granted in the Current Period (share)	shares at the period- end (share)
Liu Zibin	Chairman and President	Incum bent	148,290			148,290			
Xu Zhinan	Vice Chairman	Incum bent							
Xu Jianlyu	Director	Incum bent							
Zheng Huisheng	Director	Incum bent							
Liu Deming	Director, Vice Controller of Global Marketing Department	Incum bent							
Zhang Zhanqi	Director, Vice president, Controller of Global Marketing Department	Incum bent	580,300			580,300	380,000		190,000
Zhang Keming	Director, Board Secretary, Chief Accountant, Controller of Financial Management Department	Incum bent	377,700			377,700	220,000		110,000
Du Lixin	Director, Chief Engineer, Executive Dean of Lu Thai Engineering Technology Research Institute	Incum bent	250,000			250,000	220,000		110,000
Zhou Zhiji	Independent Director	Incum bent							
Qu Dongmei	Independent Director	Incum bent							
Peng Yanli	Independent Director	Incum bent							
Quan Yuhua	Independent Director	Incum bent							
Zhang Shougan g	Chairman of the Supervisory Committee	Incum bent	73,100			73,100			



Liu Zilong	Supervisor	Incumbent	10,000			10,000			
Dong Shibing	Supervisor, Manager of Logistics Management Department	Incumbent	5,000			5,000			
Wang Jiabin	Counselor	Incumbent	313,700			313,700	180,000		90,000
Shang Chenggan	President Assistant, Controller of Garment Product Line	Incumbent	330,000			330,000	220,000		110,000
Yu Shouzhen	President Assistant, Controller of Energy and Environment Protection Department	Incumbent	383,100			383,100	220,000		110,000
Fujiwara Matsuzaka	GM of Japan Office	Incumbent							
Li Wenji	Dean of Lu Thai Engineering Technology Research Institute	Incumbent	260,000			260,000	220,000		110,000
Guo Heng	Controller of Functional Fabric Product Line	Incumbent	300,000			300,000	220,000		110,000
Lyu Wenquan	Vice Controller of Yarn Dyed Fabric Product Line, Manager of Yarn Dyed Production Management Department	Incumbent	200,000			200,000	140,000		70,000
Xu Feng	Vice Controller of Yarn Dyed Fabric Product Line	Incumbent	190,000			190,000	190,000		95,000
<b>Total</b>	--	--	3,421,190	0	0	3,421,190	2,210,000	0	1,105,000

## V Change of the Controlling Shareholder or the De Facto Controller

Change of the controlling shareholder in the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

Change of the de facto controller in the Reporting Period

Applicable  Not applicable

No such cases in the Reporting Period.

## **Part VIII Preference Shares**

Applicable  Not applicable

No preference shares in the Reporting Period.

## Part IX Bonds

Applicable  Not applicable

### I Enterprise Bonds

Applicable  Not applicable

No enterprise bonds in the Reporting Period.

### II Corporate Bonds

Applicable  Not applicable

No corporate bonds in the Reporting Period.

### III Debt Financing Instruments of Non-financial Enterprises

Applicable  Not applicable

No such cases in the Reporting Period.

### IV Convertible Corporate Bonds

Applicable  Not applicable

#### 1. Previous Adjustments and Correction of Conversion Price

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

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

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

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

On 22 March 2022, the Company completed the registration of granting reserved shares under the 2021 restricted share incentive scheme at the Shenzhen Branch of China Clear. 22 March 2022 was designated as the listing date for granting reserved restricted shares of the Company. The Company granted 343 incentive personnel 5,838,000 restricted shares at a price of RMB3.56 per share, accounting for 0.66% of total share capital of the Company. The source of the stock is RMB A-share ordinary shares issued by the Company to incentive personnel. Therefore, the conversion price of Lu Thai convertible bond will be adjusted from RMB8.71 per share to RMB8.68 per share, with the adjusted conversion price coming into force from 22 March 2022.

The 2021 annual general meeting convened on 20 May 2022 deliberated and adopted the Company's Proposal on Profit Appropriation Plan in 2021, which distributes cash of RMB0.70 per ten shares (including tax) with total share capital at the record date of this distribution scheme as base. The record date of the Company's interest distribution in 2021 was set on 22 June 2022. The ex-date was set on 23 June 2022. Therefore, the conversion price of Lu Thai convertible bond will be adjusted from RMB8.68 per share to RMB8.61 per share, with the adjusted conversion price coming into force from 23 June 2022.

The Company completed the formalities for cancellation of the 23,935,748 repurchased B shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 25 May 2023. In accordance with the issuance clauses in the Company's Prospectus and relevant regulations of the China Securities Regulatory Commission (CSRC) on the issuance of convertible bonds, the conversion price of Lu Thai convertible bond shall be adjusted from RMB8.61 per share to RMB8.73 per share. The adjusted conversion price came into force on 26 May 2023.

The Company implemented the 2022 Equity Distribution Plan on 16 June 2023. In accordance with the issuance clauses in the Company's Prospectus and relevant regulations of the CSRC on the issuance of convertible bonds, the conversion price of Lu Thai convertible bond shall be adjusted from RMB8.73 per share to RMB8.63 per share. The adjusted conversion price came into force on 16 June 2023.

## 2. Accumulative Conversion

Applicable  Not applicable

Abbreviation	Start date	Total circulation (piece)	Total amount	Accumulative amount converted (RMB)	Accumulative shares converted (share)	Converted shares as % of total shares issued by the Company before the start date of conversion	Unconverted amount (RMB)	Unconverted amount as % of total amount
Lu Thai Convertible Bonds	15 October 2020	14,000,000	1,400,000,000.00	148,600.00	16,726	0.00%	1,399,851,400.00	99.99%

## 3. Top 10 Convertible Bond Holders

No.	Name of holders	Nature of holders	Number of convertible bonds held at the period-end (share)	Amount of convertible bonds held at the period-end (RMB)	As % of convertible bonds held at the period-end
1	China Construction Bank - E Fund Enhanced Income Bond Securities Investment Fund	Other	694,212	69,421,200.00	4.96%
2	Northwest Investment Management (Hong Kong) Limited - Northwest Feilong Fund Co., Ltd.	Foreign legal person	679,990	67,999,000.00	4.86%
3	Fuguo Fumin Fixed Income Pension Product - China Construction Bank Corporation	Other	673,269	67,326,900.00	4.81%
4	Shanghai Pudong Development Bank Co., Ltd. - E Fund Yuxiang Return Bond Securities Investment Bond	Other	485,552	48,555,200.00	3.47%
5	Industrial and Commercial Bank of China - China Universal Convertible Bond Securities Investment Fund	Other	391,048	39,104,800.00	2.79%
6	China Merchants Bank Co., Ltd. - Dongfanghong Juli Bond Securities Investment Fund	Other	305,911	30,591,100.00	2.19%
7	Basic Endowment Insurance Fund (Portfolio 102)	Other	273,171	27,317,100.00	1.95%
8	China Merchants Bank Co., Ltd. - Bosera Solid-return Bond Listed Open-ended Fund (LOF)	Other	251,220	25,122,000.00	1.79%
9	Agricultural Bank of China - Essence Target Income Bond Securities Investment Fund	Other	219,059	21,905,900.00	1.56%

10	China Asset Management Living Longer No. 9 Fixed Income Pension Product-China Merchants Bank Co., Ltd.	Other	211,147	21,114,700.00	1.51%
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#### 4. Significant Changes in Profitability, Assets Condition and Credit Status of Guarantors

Applicable  Not applicable

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

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

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

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

Applicable  Not applicable

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

Unit: RMB'0,000

Item	30 June 2023	31 December 2022	Increase/decrease
Current ratio	3.08	2.99	3.01%
Debt/asset ratio	28.99%	29.53%	-0.54%
Quick ratio	1.89	1.86	1.61%
	H1 2023	H1 2022	YoY increase/decrease
Net profit before exceptional gains and losses	19,180.99	36,557.92	-47.53%
EBITDA/debt ratio	20.29%	21.76%	-1.47%
Interest cover (times)	5.49	9.19	-40.26%
Cash-to-interest cover (times)	2.95	2.68	10.07%
EBITDA-to-interest cover (times)	10.90	13.54	-19.50%
Loan repayment ratio	100.00%	100.00%	
Interest payment ratio	100.00%	100.00%	

## Part X Financial Statements

### I Independent Auditor's Report

Are these interim financial statements audited by an independent auditor?

Yes  No

They are unaudited by such an auditor.

### II Financial Statements

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

#### 1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

30 June 2023

Unit: RMB

Item	30 June 2023	1 January 2023
Current assets:		
Monetary assets	1,551,443,291.97	2,067,768,253.97
Held-for-trading financial assets	918,839,425.27	267,695,159.48
Notes receivable	197,304,993.41	168,755,715.84
Accounts receivable	534,155,829.19	660,427,526.19
Accounts receivable financing	24,096,385.95	11,208,304.78
Prepayments	127,627,785.82	95,021,598.32
Other receivables	48,082,107.24	89,855,659.99
Including: Interest receivable		
Dividends receivable	18,563,298.39	18,563,298.39
Inventories	2,222,843,058.48	2,107,849,708.33
Other current assets	117,577,811.23	76,847,903.07
Total current assets	5,741,970,688.56	5,545,429,829.97
Non-current assets:		
Long-term receivables		
Long-term equity investment	182,835,476.83	184,168,625.69
Other equity instrument investment		
Other non-current financial assets	89,080,000.00	337,110,000.00
Investment property	20,010,251.80	20,460,935.21



Fixed assets	5,686,991,158.97	5,807,847,850.67
Construction in progress	538,603,980.88	199,943,501.73
Right-of-use assets	487,341,555.12	481,420,505.31
Intangible assets	347,981,438.31	352,889,578.06
Development costs		
Goodwill	20,563,803.29	20,563,803.29
Long-term deferred expenses	2,343,814.17	2,948,981.97
Deferred income tax assets	145,560,608.14	155,774,523.25
Other non-current assets	310,689,333.60	242,539,466.88
Total non-current assets	7,832,001,421.11	7,805,667,772.06
Total assets	13,573,972,109.67	13,351,097,602.03
Current liabilities:		
Short-term borrowings	527,384,198.32	518,946,415.96
Held-for-trading financial liabilities	14,848,448.10	4,276,929.70
Derivative financial liabilities		
Notes payable		55,450,000.00
Accounts payable	260,310,397.35	246,588,463.74
Advances from customers		
Contract liabilities	183,455,240.54	206,879,672.53
Payroll payable	248,100,769.78	330,027,159.72
Taxes payable	34,029,875.93	31,483,442.06
Other payables	53,589,227.72	83,357,296.71
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Held-for-sale liabilities		
Current portion of non-current liabilities	487,410,386.14	307,921,837.35
Other current liabilities	53,266,227.69	66,889,025.17
Total current liabilities	1,862,394,771.57	1,851,820,242.94
Non-current liabilities:		
Long-term borrowings	164,369,828.94	186,431,096.24
Bonds payable	1,449,985,859.18	1,438,162,231.27
Lease liabilities	97,740,959.65	98,501,303.83
Long-term payables		

Long-term payroll payable	57,417,997.65	57,417,997.65
Provisions		
Deferred income	153,040,887.32	159,615,037.36
Deferred income tax liabilities	150,232,232.76	151,243,432.80
Other non-current liabilities		
Total non-current liabilities	2,072,787,765.50	2,091,371,099.15
Total liabilities	3,935,182,537.07	3,943,191,342.09
Owners' equity:		
Share capital	863,697,519.00	887,633,151.00
Other equity instruments	71,383,779.76	71,383,830.75
Including: Preferred shares		
Perpetual bonds		
Capital reserves	331,086,224.51	395,872,135.71
Less: Treasury stock	31,843,365.00	154,396,198.73
Other comprehensive income	178,501,177.97	107,628,898.09
Specific reserve	2,777,410.71	
Surplus reserves	1,215,124,336.54	1,215,124,336.54
General reserve		
Retained earnings	6,626,197,965.60	6,490,910,719.35
Total equity attributable to owners of the Company as the parent	9,256,925,049.09	9,014,156,872.71
Non-controlling interests	381,864,523.51	393,749,387.23
Total owners' equity	9,638,789,572.60	9,407,906,259.94
Total liabilities and owners' equity	13,573,972,109.67	13,351,097,602.03

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

## 2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2023	1 January 2023
Current assets:		
Monetary assets	904,068,783.73	1,493,189,218.38
Held-for-trading financial assets	512,161,523.73	14,782,050.00
Derivative financial assets		
Notes receivable	78,506,812.32	99,348,764.36
Accounts receivable	273,137,962.00	357,917,050.71

Accounts receivable financing	15,197,301.50	4,977,876.31
Prepayments	85,041,332.24	52,932,385.24
Other receivables	2,269,454,600.86	1,982,595,534.99
Including: Interest receivable		
Dividends receivable	185,745,705.03	18,563,298.39
Inventories	1,129,000,002.56	1,032,571,546.29
Contract assets		
Available-for-sale assets		
Current portion of non-current assets		
Other current assets	1,706,749.61	12,117,078.06
Total current assets	5,268,275,068.55	5,050,431,504.34
Non-current assets:		
Long-term receivables		
Long-term equity investments	3,289,971,143.33	3,069,423,182.09
Investments in other equity instruments		
Other non-current financial assets	77,080,000.00	325,110,000.00
Investment property	66,480,366.32	68,234,288.24
Fixed assets	2,167,477,108.69	2,239,204,199.53
Construction in progress	27,581,111.26	14,457,725.94
Right-of-use assets	97,587,641.75	102,526,417.74
Intangible assets	200,822,940.42	203,872,938.32
Development costs		
Goodwill		
Long-term deferred expenses	907,110.12	1,124,816.52
Deferred income tax assets	65,188,470.57	70,230,669.83
Other non-current assets	137,366,526.25	180,305,870.74
Total non-current assets	6,130,462,418.71	6,274,490,108.95
Total assets	11,398,737,487.26	11,324,921,613.29
Current liabilities:		
Short-term borrowings	87,830,718.55	73,701,088.21
Held-for-trading financial liabilities	2,834,100.00	
Notes payable	55,000,000.00	213,094,435.63
Accounts payable	86,113,714.25	100,586,843.48

Advances from customers		
Contract liabilities	72,897,402.82	91,983,662.84
Payroll payable	170,302,387.74	231,917,717.02
Taxes payable	23,491,218.07	9,698,693.68
Other payables	49,283,273.91	164,914,178.73
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Liabilities held for sale		
Current portion of non-current liabilities	487,410,386.14	307,273,908.99
Other current liabilities	37,016,915.36	42,075,638.45
Total current liabilities	1,072,180,116.84	1,235,246,167.03
Non-current liabilities:		
Long-term borrowings	164,369,828.94	186,431,096.24
Bonds payable	1,449,985,859.18	1,438,162,231.27
Lease liabilities	99,528,524.92	100,877,929.66
Long-term payables		
Long-term payroll payable	57,417,997.65	57,417,997.65
Provisions		
Deferred income	114,186,124.70	119,562,568.94
Deferred income tax liabilities	109,964,122.90	112,945,049.91
Other non-current liabilities		
Total non-current liabilities	1,995,452,458.29	2,015,396,873.67
Total liabilities	3,067,632,575.13	3,250,643,040.70
Owners' equity:		
Share capital	863,697,519.00	887,633,151.00
Other equity instruments	71,383,779.76	71,383,830.75
Including: Preferred shares		
Perpetual bonds		
Capital reserves	392,466,258.75	457,252,169.95
Less: Treasury stock	31,843,365.00	154,396,198.73
Other comprehensive income	-107,571.25	-30,162.34
Specific reserve		
Surplus reserves	1,212,015,596.90	1,212,015,596.90

Retained earnings	5,823,492,693.97	5,600,420,185.06
Total owners' equity	8,331,104,912.13	8,074,278,572.59
Total liabilities and owners' equity	11,398,737,487.26	11,324,921,613.29

### 3. Consolidated Income Statement

Unit: RMB

Item	H1 2023	H1 2022
1. Revenue	2,840,491,262.47	3,330,294,463.25
Including: Operating revenue	2,840,491,262.47	3,330,294,463.25
2. Costs and expenses	2,584,294,892.42	2,825,026,554.05
Including: Cost of sales	2,233,932,367.67	2,497,333,041.59
Taxes and surcharges	34,360,360.36	34,501,258.01
Selling expense	66,411,247.30	59,894,351.04
Administrative expense	175,308,361.39	190,280,143.57
Development cost	131,290,032.04	114,951,241.87
Finance costs	-57,007,476.34	-71,933,482.03
Including: Interest expense	39,502,439.47	44,216,587.17
Interest income	30,385,764.21	22,350,147.90
Add: Other income	27,724,922.40	27,720,772.37
Return on investment ("-" for loss)	46,798,662.00	1,448,571.38
Including: Share of profit or loss of joint ventures and associates	-1,333,148.86	-1,076,939.49
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Exchange gain ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	-42,471,705.81	3,069,030.56
Credit impairment loss ("-" for loss)	16,809,724.05	1,994,592.93
Asset impairment loss ("-" for loss)	-75,665,553.95	-81,695,738.30
Asset disposal income ("-" for loss)	-404,759.16	2,668,023.30
3. Operating profit ("-" for loss)	228,987,659.58	460,473,161.44
Add: Non-operating income	4,231,250.89	3,026,253.46
Less: Non-operating expense	2,464,360.53	2,165,139.66
4. Profit before tax ("-" for loss)	230,754,549.94	461,334,275.24
Less: Income tax expense	20,991,415.51	67,767,576.50
5. Net profit ("-" for net loss)	209,763,134.43	393,566,698.74

5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	209,763,134.43	393,566,698.74
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to shareholders of the Company as the parent (“-” for net loss)	221,647,998.15	393,950,852.46
5.2.1 Net profit attributable to non-controlling interests (“-” for net loss)	-11,884,863.72	-384,153.72
6. Other comprehensive income, net of tax	70,872,279.88	80,891,071.35
Attributable to owners of the Company as the parent	70,872,279.88	80,891,071.35
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by re-measurements on defined benefit schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value arising from changes in own credit risk		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	70,872,279.88	80,891,071.35
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Other comprehensive income arising from the reclassification of financial assets		
6.2.4 Credit impairment allowance for investments in other debt obligations		
6.2.5 Reserve for cash flow hedges		
6.2.6 Differences arising from the translation of foreign currency-denominated financial statements	70,961,260.92	80,772,687.91
6.2.7 Other	-88,981.04	118,383.44
Attributable to non-controlling interests		
7. Total comprehensive income	280,635,414.31	474,457,770.09
Attributable to owners of the Company as the parent	292,520,278.03	474,841,923.81

Attributable to non-controlling interests	-11,884,863.72	-384,153.72
8. Earnings per share		
8.1 Basic earnings per share	0.26	0.45
8.2 Diluted earnings per share	0.23	0.39

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

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

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

Unit: RMB

Item	H1 2023	H1 2022
1. Operating revenue	1,609,909,822.43	2,096,728,996.78
Less: Cost of sales	1,277,031,824.62	1,554,834,847.73
Taxes and surcharges	21,096,525.14	24,600,731.76
Selling expense	43,132,295.18	43,382,853.03
Administrative expense	109,290,133.53	133,045,963.42
R&D expense	89,977,015.81	76,010,921.94
Finance costs	-76,975,133.92	-82,597,376.96
Including: Interest expense	17,569,729.67	15,888,011.59
Interest income	22,004,783.28	14,238,816.94
Add: Other income	8,593,238.09	3,914,908.50
Return on investment (“-” for loss)	219,763,969.54	220,205,603.25
Including: Share of profit or loss of joint ventures and associates	-1,333,148.86	-1,076,939.49
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	-45,480,664.13	1,415,323.45
Credit impairment loss (“-” for loss)	6,259,781.13	216,712.40
Asset impairment loss (“-” for loss)	-19,582,479.49	-35,555,171.46
Asset disposal income (“-” for loss)	-295,512.79	1,800,173.51
2. Operating profit (“-” for loss)	315,615,494.42	539,448,605.51
Add: Non-operating income	2,814,084.00	2,262,303.15
Less: Non-operating expense	792,483.54	1,108,474.11
3. Profit before tax (“-” for loss)	317,637,094.88	540,602,434.55

Less: Income tax expense	8,203,834.07	53,835,226.09
4. Net profit (“-” for net loss)	309,433,260.81	486,767,208.46
4.1 Net profit from continuing operations (“-” for net loss)	309,433,260.81	486,767,208.46
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-77,408.91	220,993.22
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by re-measurements on defined benefit schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value arising from changes in own credit risk		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss	-77,408.91	220,993.22
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Other comprehensive income arising from the reclassification of financial assets		
5.2.4 Credit impairment allowance for investments in other debt obligations		
5.2.5 Reserve for cash flow hedges		
5.2.6 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.7 Other	-77,408.91	220,993.22
6. Total comprehensive income	309,355,851.90	486,988,201.68
7. Earnings per share		
7.1 Basic earnings per share	0.36	0.56
7.2 Diluted earnings per share	0.32	0.49

## 5. Consolidated Cash Flow Statement

Unit: RMB



Item	H1 2023	H1 2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,809,154,113.13	3,081,011,881.19
Tax rebates	75,305,681.28	118,817,131.92
Cash generated from other operating activities	68,114,428.99	17,250,057.84
Subtotal of cash generated from operating activities	2,952,574,223.40	3,217,079,070.95
Payments for commodities and services	1,823,197,285.44	2,128,158,530.89
Cash paid to and for employees	849,321,563.91	821,334,821.91
Taxes paid	64,065,437.19	80,208,573.82
Cash used in other operating activities	67,379,719.88	69,894,735.59
Subtotal of cash used in operating activities	2,803,964,006.42	3,099,596,662.21
Net cash generated from/used in operating activities	148,610,216.98	117,482,408.74
2. Cash flows from investing activities:		
Proceeds from disinvestment	1,525,821,962.14	13,323,521.50
Return on investment	22,361,582.82	29,960,712.68
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	1,794,347.29	6,647,359.73
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	61,197,806.89	32,608,417.38
Subtotal of cash generated from investing activities	1,611,175,699.14	82,540,011.29
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	352,801,937.92	150,968,099.58
Payments for investments	2,006,213,736.27	280,000,000.00
Cash used in other investing activities	3,894,036.91	173,868,706.94
Subtotal of cash used in investing activities	2,362,909,711.10	604,836,806.52
Net cash generated from/used in investing activities	-751,734,011.96	-522,296,795.23
3. Cash flows from financing activities:		
Capital contributions received		20,000,880.00
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised	590,526,602.96	1,017,900,674.25
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	590,526,602.96	1,037,901,554.25
Repayment of borrowings	416,309,860.45	793,712,239.85

Interest and dividends paid	113,125,135.43	89,198,073.90
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities	9,505,516.17	18,218,984.29
Subtotal of cash used in financing activities	538,940,512.05	901,129,298.04
Net cash generated from/used in financing activities	51,586,090.91	136,772,256.21
4. Effect of foreign exchange rates changes on cash and cash equivalents	18,508,217.96	27,668,484.46
5. Net increase in cash and cash equivalents	-533,029,486.11	-240,373,645.82
Add: Cash and cash equivalents, beginning of the period	1,822,897,270.16	1,970,006,884.89
6. Cash and cash equivalents, end of the period	1,289,867,784.05	1,729,633,239.07

## 6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2023	H1 2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,621,793,418.78	2,011,005,609.32
Tax rebates	35,559,906.66	23,074,436.96
Cash generated from other operating activities	56,719,401.33	10,572,238.74
Subtotal of cash generated from operating activities	1,714,072,726.77	2,044,652,285.02
Payments for commodities and services	1,259,042,871.11	1,331,190,780.98
Cash paid to and for employees	459,317,676.05	484,573,239.10
Taxes paid	24,388,725.60	50,678,412.46
Cash used in other operating activities	33,086,342.08	42,450,664.45
Subtotal of cash used in operating activities	1,775,835,614.84	1,908,893,096.99
Net cash generated from/used in operating activities	-61,762,888.07	135,759,188.03
2. Cash flows from investing activities:		
Proceeds from disinvestment	1,395,821,962.14	13,323,521.50
Return on investment	21,094,108.64	186,817,055.74
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	2,637,307.50	7,706,280.16
Net proceeds from the disposal of subsidiaries and other business units	431,493,365.00	
Cash generated from other investing activities	1,200,787,279.07	1,095,700,570.04
Subtotal of cash generated from investing activities	3,051,834,022.35	1,303,547,427.44

Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	32,526,882.27	39,865,621.95
Payments for investments	2,318,818,000.00	202,500,000.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	1,238,001,959.48	1,343,713,654.95
Subtotal of cash used in investing activities	3,589,346,841.75	1,586,079,276.90
Net cash generated from/used in investing activities	-537,512,819.40	-282,531,849.46
<b>3. Cash flows from financing activities:</b>		
Capital contributions received		20,000,880.00
Borrowings raised	188,065,597.90	507,937,437.39
Cash generated from other financing activities		154,870,600.00
Subtotal of cash generated from financing activities	188,065,597.90	682,808,917.39
Repayment of borrowings	13,868,839.85	416,282,653.26
Interest and dividends paid	110,643,219.41	85,575,684.96
Cash used in other financing activities	92,590,001.16	18,030,031.87
Subtotal of cash used in financing activities	217,102,060.42	519,888,370.09
Net cash generated from/used in financing activities	-29,036,462.52	162,920,547.30
4. Effect of foreign exchange rates changes on cash and cash equivalents	8,061,427.42	9,506,927.55
5. Net increase in cash and cash equivalents	-620,250,742.57	25,654,813.42
Add: Cash and cash equivalents, beginning of the period	1,283,846,116.80	977,713,296.25
6. Cash and cash equivalents, end of the period	663,595,374.23	1,003,368,109.67

## 7. Consolidated Statements of Changes in Owners' Equity

H1 2023

Unit: RMB

Item	H1 2023														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	887,633,151.00			71,383,830.75	395,872,135.71	154,396,198.73	107,628,898.09		1,215,124,336.54		6,490,910,719.35		9,014,156,872.71	393,749,387.23	9,407,906,259.94
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous															

errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	887,633,151.00		71,383,830.75	395,872,135.71	154,396,198.73	107,628,898.09			1,215,124,336.54		6,490,910,719.35		9,014,156,872.71	393,749,387.23	9,407,906,259.94
3. Increase/decrease in the period ("–" for decrease)	23,935,632.00		-50.99	64,785,911.20	-122,552,833.73	70,872,279.88	2,777,410.71				135,287,246.25		242,768,176.38	11,884,863.72	230,883,312.66
3.1						70,872,279.88					221,647,998.15		292,520,278.03	-11,884,863.72	280,635,414.31

Total comprehensive income														3.72	
3.2 Capital increased and reduced by owners	- 23,935,632.00			-50.99	- 64,785,911.20	- 122,552,833.73								33,831,239.54	33,831,239.54
3.2.1 Ordinary shares increased by shareholders	116.00				923.91									1,039.91	1,039.91
3.2.2 Capital increased by holders of other equity instrumen															

ts															
3.2.3 Share- based payments included in owners' equity					11,076,41 5.02								11,076,415 .02		11,076,415 .02
3.2.4 Other	23,935,74 8.00			-50.99	- 75,863,25 0.13	- 122,552,8 33.73							22,753,784 .61		22,753,784 .61
3.3 Profit distributi on													86,360,751 .90		86,360,751 .90
3.3.1 Appropri ation to surplus reserves															
3.3.2 Appropri ation to general reserve															
3.3.3 Appropri													86,360,751 .90		86,360,751 .90

ation to owners (or sharehold ers)																
3.3.4 Other																
3.4 Transfers within owners' equity																
3.4.1 Increase in capital (or share capital) from capital reserves																
3.4.2 Increase in capital (or share capital) from																



surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															

3.4.6 Other															
3.5 Specific reserve								2,777,410.71					2,777,410.71		2,777,410.71
3.5.1 Increase in the period								5,275,200.00					5,275,200.00		5,275,200.00
3.5.2 Used in the period								2,497,789.29					2,497,789.29		2,497,789.29
3.6 Other															
4. Balances as at the end of the period	863,697,519.00			71,383,779.76	331,086,224.51	31,843,365.00	178,501,177.97	2,777,410.71	1,215,124,336.54		6,626,197,965.60		9,256,925,049.09	381,864,523.51	9,638,789,572.60

H1 2022

Unit: RMB

Item	H1 2022														Non-controlling interests	Total owners' equity
	Equity attributable to owners of the Company as the parent															
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal			
Preferred		Perpetual	Other													

		shares	bonds				income	ve		ve					
1. Balances as at the end of the prior year	882,341,295.00			71,384,656.84	340,587,387.65	78,908,300.00	- 36,423,748.37		1,215,124,336.54		5,589,201,772.37		7,983,307,400.03	383,812,031.90	8,367,119,431.93
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common															

control															
Other adjustments															
2. Balances as at the beginning of the year	882,341,295.00			71,384,656.84	340,587,387.65	78,908,300.00	36,423,748.37		1,215,124,336.54		5,589,201,772.37		7,983,307,400.03	383,812,031.90	8,367,119,431.93
3. Increase/decrease in the period (“-” for decrease)	5,599,856.00			-826.09	38,543,511.51	-11,223,400.00	80,891,071.35				331,794,980.01		468,051,992.78	-384,153.72	467,667,839.06
3.1 Total comprehensive income							80,891,071.35				393,950,852.46		474,841,923.81	-384,153.72	474,457,770.09
3.2 Capital increased and reduced	5,599,856.00			-826.09	38,543,511.51	-11,223,400.00							55,365,941.42		55,365,941.42

by owners															
3.2.1 Ordinary shares increased by sharehold ers	5,599,856. 00				14,417,71 3.13								20,017,569. 13		20,017,569. 13
3.2.2 Capital increased by holders of other equity instrumen ts															
3.2.3 Share- based payments included in owners' equity					24,125,79 8.38								24,125,798. 38		24,125,798. 38
3.2.4				-826.09		- 11,223,4							11,222,573. 91		11,222,573. 91



owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined															

benefit pension schemes transferred to retained earnings																
3.4.5 Other comprehensive income transferred to retained earnings																
3.4.6 Other																
3.5 Specific reserve																
3.5.1 Increase in the period																
3.5.2																



Used in the period															
3.6 Other															
4. Balances as at the end of the period	887,941,151.00		71,383,830.75	379,130,899.16	67,684,900.00	44,467,322.98		1,215,124,336.54		5,920,996,752.38		8,451,359,392.81	383,427,878.18	8,834,787,270.99	

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

H1 2023

Unit: RMB

Item	H1 2023											Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	887,633,151.00			71,383,830.75	457,252,169.95	154,396,198.73	-30,162.34		1,212,015,596.90	5,600,420,185.06		8,074,278,572.59
Add: Adjustments for changed accounting policies												

Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	887,633,151.00			71,383,830.75	457,252,169.95	154,396,198.73	-30,162.34		1,212,015,596.90	5,600,420,185.06		8,074,278,572.59
3. Increase/decrease in the period (“-” for decrease)	-23,935,632.00			-50.99	64,785,911.20	122,552,833.73	-77,408.91			223,072,508.91		256,826,339.54
3.1 Total comprehensive income							-77,408.91			309,433,260.81		309,355,851.90
3.2 Capital increased and reduced by owners	-23,935,632.00			-50.99	64,785,911.20	122,552,833.73						33,831,239.54
3.2.1 Ordinary	116.00				923.91							1,039.91

shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity					11,076,415.02							11,076,415.02
3.2.4 Other	23,935,748.00			-50.99	75,863,250.13	122,552,833.73						22,753,784.61
3.3 Profit distribution										-86,360,751.90		-86,360,751.90
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or										-86,360,751.90		-86,360,751.90

shareholders)												
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in												

defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end	863,697,519.00			71,383,779.76	392,466,258.75	31,843,365.00	-107,571.25		1,212,015,596.90	5,823,492,693.97		8,331,104,912.13

of the period												
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H1 2022

Unit: RMB

Item	H1 2022											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	882,341,295.00			71,384,656.84	401,967,421.89	78,908,300.00	-293,580.24		1,212,015,596.90	4,887,481,100.66		7,375,988,191.05
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												

2. Balances as at the beginning of the year	882,341,295.00			71,384,656.84	401,967,421.89	78,908,300.00	-293,580.24		1,212,015,596.90	4,887,481,100.66	7,375,988,191.05
3. Increase/decrease in the period (“ ” for decrease)	5,599,856.00			-826.09	38,543,511.51	11,223,400.00	220,993.22			424,611,336.01	480,198,270.65
3.1 Total comprehensive income							220,993.22			486,767,208.46	486,988,201.68
3.2 Capital increased and reduced by owners	5,599,856.00			-826.09	38,543,511.51	11,223,400.00					55,365,941.42
3.2.1 Ordinary shares increased by shareholders	5,599,856.00				14,417,713.13						20,017,569.13
3.2.2 Capital increased by holders of other equity instruments											

3.2.3 Share-based payments included in owners' equity					24,125,798.38							24,125,798.38
3.2.4 Other				-826.09		11,223,400.00						11,222,573.91
3.3 Profit distribution											-62,155,872.45	-62,155,872.45
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)											-62,155,872.45	-62,155,872.45
3.3.3 Other												
3.4 Transfers within owners'												



equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												

3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	887,941,151. 00			71,383,830. 75	440,510,933. 40	67,684,900. 00	-72,587.02		1,212,015,596. 90	5,312,092,436. 67		7,856,186,461. 70

### III Company Profile

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

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

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

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

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

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

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

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

In accordance with the resolution of Proposal on Repurchasing and Canceling Partial Restricted Shares already Granted for the Original Incentive Targets not Reaching the Incentive Conditions made at the 23<sup>rd</sup> Session of the 6<sup>th</sup> Board of Directors on 13 August 2012, the Company canceling a total of 60,000.00 shares already granted for the original incentive targets not reaching the incentive conditions.

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

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

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

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

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

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

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

In line with the resolution of the 26<sup>th</sup> Meeting of the 9<sup>th</sup> Board of Directors of the Company on 26 August 2021 that the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition, the Company applied to reduce the registered capital of RMB80,000.

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

In line with the resolution of the first Extraordinary General Meeting of the Company on 13 May 2021 and the resolution of the 30th session of the Ninth Board of Directors on 18 February 2022, the Company applied for an increase of the share capital by RMB 5,838,000, which was contributed by 343 restricted share incentive receivers with monetary funds.

In conformity with the resolution of the 30th session of the Ninth Board of Directors of the Company on 18 February 2022, the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition, all the 240,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and cancelled.

In conformity with the resolution of the second session of the Tenth Board of Directors on 29 June 2022 and the resolution of the third Extraordinary General Meeting of the Company on 15 July 2022, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition*, all the 308,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and cancelled. There were 1,900 shares of the Company which were converted from the convertible bonds in 2022.

In line with the resolution of the 3<sup>rd</sup> Extraordinary General Meeting of the Company on 15 July 2022, the *Proposal on Repurchasing the Domestically Listed Foreign Shares (B Shares) of the Company*, the Company repurchased 23,935,700 B shares.

A total of 100 shares of convertible bonds of the Company could be converted from January to June 2023.

As at 30 June 2023, the Company's registered capital stood at RMB863,697,500.

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

The Company's unified social credit code: 91370300613281175K

The Company's legal representative: Liu Zibin

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

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

The Company's financial statements and Notes thereof have been approved by the 13<sup>th</sup> Meeting of the 10<sup>th</sup> Board of Directors held on 17 August 2023.

There were 16 subsidiaries included into the consolidation scope of the Company in H1 2023 with no change in the scope of consolidated financial statements, and for the details, please refer to Note VIII. "Changes of Consolidation Scope" and Notes IX. "Equities among Other Entities".

## **IV Basis for Preparation of Financial Statements**

### **1. Preparation Basis**

This financial statement is prepared in accordance with the accounting standards for business enterprises, and the application guide, interpretation and other relevant regulations (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance. In addition, the Company also disclosed relevant financial information in accordance with the Regulations on Information Disclosure and Compilation for Companies Public Offering Securities No. 15-General Provisions on Financial Report (revised in 2014) issued by China Securities Regulatory Commission.

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

### **2. Going-concern**

The financial statements are presented on the basis of continuing operations.

## **V Significant Accounting Policies and Estimates**

Specific accounting policies and accounting estimates indicators:

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

### **1. Statement of Compliance with the Accounting Standards for Business Enterprises**

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the consolidated, and the Company's financial positions as at 30 June 2023, business results and cash flows for H1 2023, and other relevant information.

### **2. Fiscal Year**

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

### **3. Operating Cycle**

The Company regards 12 months as an operating cycle.

### **4. Recording Currency**

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

## 5. Accounting Treatment for Business Combinations under the Common Control and Not under the Common Control

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

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

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

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

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

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

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

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

Achieve business combination not under the same control step by step through multiple transactions

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

transferred to retained earnings when accounting by cost method.

In consolidated financial statements, the cost of consolidation is the sum of the consideration paid at the purchase date and the fair value at the purchase date of the equity already held by the acquired party before the purchase date. For equity of the acquired party that is already held before the purchase date, it shall be re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value shall be included in the current investment income. If the equity of the acquired party held before the purchase date involves other comprehensive income and the changes of other owner's equity, it shall be transferred to current income on the purchase date, except for other comprehensive income caused by changes in net liabilities or net assets of the income plan remeasured and reset by the investee.

### (3) Treatment of transaction costs in business combinations

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

## **6. Preparation of the Consolidated Financial Statements**

### (1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the invested unit, enjoys variable returns by participating in the related activities of the invested unit, and has the ability to use the power over the invested unit to influence the amount of its return. Subsidiaries refer to the entities controlled by the Company (including enterprises, divisible parts of invested entities, structured entities, etc.).

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

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant materials. When preparing the consolidated financial statements, the accounting policies and accounting fiscal of the Company and those of subsidiaries shall be consistent and the large transactions and intercourse balance among companies shall be offset. Subsidiaries and businesses increased due to business combinations under the same control during the Reporting Period shall be included into the Company's combination scope since the date when they are jointly controlled by the final controller, and the operating result and cash flow since then shall be respectively included into the consolidated income statement and consolidated cash flow statement. As for subsidiaries and businesses increase due to business combinations not under the same control during the Reporting Period, the revenue, expenses and profit or those subsidiaries and businesses from the purchase date to the end of the Reporting Period shall be included into the consolidated income statement and the cash flow thereof shall be included into the consolidated cash flow statement. The share of shareholders' equity in subsidiaries not belonging to the Company shall be regarded as the minority interests and separately listed under the item of shareholders' equity in the consolidated balance sheet. The share of current portion of net profit or loss in subsidiaries belonging to minority interests shall presented as the item of minority interests under the item of net profit in the consolidated income statement. The difference between the losses of subsidiaries born by not-controlling shareholders and the share of the company's owners' equity at the period-beginning the not-controlling shareholders enjoy (the former is larger than the latter) shall be offset the minority interests.

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

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



reserve is insufficient to offset, the retained earnings shall be adjusted.

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

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

## 7. Classification of Joint Arrangements and Accounting Treatment of Joint Operations

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

### (1) Joint operations

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

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

- A. It recognizes separately held assets and jointly held assets according to the proportion;
- B. It recognizes separately assumed liabilities and jointly assumed liabilities according to the proportion;
- C. Income from the sale of the proportion of joint operation output is recognized;
- D. Income from the sale of the joint operation output is recognized according to the proportion.
- E. While the separately incurred fee is recognized, the incurred fee for joint operation is recognized according to the proportion.

### (2) Joint ventures

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

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

## 8. Confirmation Standard for Cash and Cash Equivalent

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

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

### (1) Foreign currency business

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

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or the previous balance sheet date is included in the current profit and loss; for foreign currency non-monetary items measured at historical cost, the translation adopts the spot exchange rate on the day the transaction occurs; for foreign

currency non-monetary items measured at fair value, the translation adopts the spot exchange rate on the day when the fair value is confirmed, and the difference between the amount of recording currency and the amount of original recording currency shall be included into the current profit or loss or other comprehensive income based on the nature of non-monetary items.

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

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

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

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

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

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

## 10. Financial Instruments

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

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

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

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

- ① The contractual rights for collecting the cash flow of the said financial asset are terminated;
- ② The said financial asset has been transferred and meet the following derecognition conditions for transfer of financial assets.

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

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

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

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

Financial assets measured at amortized cost

The Company classifies financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are included in current profit and loss as financial assets measured at amortized cost:

The Company's business model for managing this financial asset is aimed at collecting contractual cash flow;

The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

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

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

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

The Company's business model for managing this financial asset is aimed at both collecting the contractual cash flow and selling this financial asset;

The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

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

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

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

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

The business model of managing financial assets refers to how the Company manages financial assets to generate cash flow. The business model determines whether the cash flow of the financial assets managed by the Company comes from the collection of contractual cash flow, the sale of financial assets or both. The Company determines the business model for managing financial assets on the basis of objective facts and specific business objectives decided by key management personnel to manage financial assets.

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

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

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

(3) Classification and measurement of financial liabilities

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

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

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

Financial liabilities measured at amortized cost

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

Distinction between financial liabilities and equity instruments

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

- ① The contractual obligation to deliver cash or other financial assets to other parties.
- ② The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- ③ Non-derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, and the enterprise will deliver a variable number of its own equity instruments according to the contract.
- ④ Derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, except derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

Equity instruments refer to contracts that can prove that an enterprise has the residual equity in its assets after deducting all liabilities. If the Company cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

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

(4) Derivative financial instruments and embedded derivatives

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

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

(5) Fair value of financial instruments

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

(6) Impairment of financial assets

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

Financial assets measured at amortized cost;

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

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

Lease receivables;

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

Measurement of expected credit loss

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

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

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

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

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

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

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

Notes receivable, accounts receivable and contract assets

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

If a single financial asset cannot be used to evaluate the expected credit loss information at a reasonable cost, the Company will divide the notes receivable and accounts receivable into portfolio on the basis of the credit risk features, and calculate the expected

credit loss based on the portfolio. The basis for determining the portfolio is as follows:

A. Notes receivable

Notes receivable portfolio 1: bank acceptance bills with low credit rating and L/C

Notes receivable portfolio 2: commercial acceptance bills

B. Accounts receivable

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

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

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

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

C. Contract assets

Contract assets portfolio 1: product sales

Contract assets portfolio 2: engineering construction

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

For accounts receivable divided into portfolios, with reference to historical credit loss experience, combined with current conditions and predictions of future economic conditions, the Company has prepared a comparison table between the number of aging/overdue days of accounts receivable and the expected credit loss rate over the entire duration, and has calculated the expected credit loss.

Other receivables

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

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

Other receivables portfolio 2: Tax refund receivable

Other receivables portfolio 3: Deposit receivable and security deposit

Other receivables portfolio 4: other receivables

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

Creditors' investment and other creditors' investment

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

Assessment on significant increase of credit risk

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

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

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

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

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

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

Based on the nature of financial instruments, the Company assesses whether there is great risk in credit risk on the basis of individual

financial instruments or financial instrument portfolios. During assessment based on financial instrument portfolios, the Company can divide financial instruments on the basis of common credit risk characteristics, such as overdue information and credit risk ratings.

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

#### Financial assets with depreciation of credit

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

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

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

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

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

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

#### Presentation of expected credit loss provision

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

#### Write-offs

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

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

#### (7) Transfer of financial assets

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

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

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

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

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

### 11. Measurement of Fair Value

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

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

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

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

The Company adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it. Priority is given to using relevant observable input values. Only when observable input values are unavailable or are not feasible to obtain, the unobservable input values can be used. For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value hierarchy to which they belong is determined based on the lowest level input value that is important to the fair value measurement as a whole: the first level input value is the unadjusted quotation of the same assets or liabilities able to be obtained in an active market on the measurement date; the second level input value is the directly or indirectly observable input value of the relevant asset or liability except the first level input value; the third level input value is unobservable input value of related assets or liabilities.

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

### 12. Inventory

#### (1) Classification

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

#### (2) Valuation method of inventories acquiring and issuing

Inventories shall be measured at actual cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other costs. Grey yarn, dyed yarn, and plus material shall be measured at first-in first-out method when acquired and delivered; other inventories shall be measured as per the weighted average method

#### (3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

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

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is



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

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

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

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

### 13. Long-term Equity Investments

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

(1) Determination of initial investment cost

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

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

(2) Subsequent measurement and profit and loss confirmation method

Investment in subsidiaries is accounted for using the cost method unless the investment meets the conditions for holding for sale; investment in associates and joint ventures is accounted for using the equity method.

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

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

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

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

by equity method.

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

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

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

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

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

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. When judging whether there is joint control, first determine whether all participants or a combination of participants collectively control the arrangement, and secondly determine whether the decision-making related activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If all participants or a Company of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a Company of participants collectively control the arrangement; if there is a combination of two or more participants can collectively Controlling an arrangement does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered.

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

When the Company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the invested unit, it is generally considered to have a significant impact on the invested unit, unless there is clear evidence that such circumstances cannot participate in the production and operation decisions of the invested unit, and does not have a significant impact; when the Company owns less than 20% (excluding) voting rights of the invested unit, it generally does not consider it to have a significant impact on the invested unit unless there is clear evidence that Under these circumstances, it can participate in the production and operation decisions of the invested unit and have a significant impact.

**(4) Impairment test method and impairment provision method**

For the investments in subsidiaries, associates and joint ventures, the method of accruing asset impairment is shown in the Note V-21.

**14. Investment Property**

Measurement model of investment real estate

Costing method measurement

Depreciation or amortization method

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

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

The Company adopts the cost mode to conduct the subsequent measurement on the investment real estate, see the Note V-21 for the method of withdrawing asset impairment provision.

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

**15. Fixed Assets****(1) Conditions for Recognition**

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

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

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

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

**(2) Depreciation Methods**

Category of fixed assets	Method	Useful life	Salvage value (%)	Annual depreciation (%)
Housing and building	Average method of useful life	5-30	0-10	20.00-3.00
Machinery equipments	Average method of useful life	10-18	0-10	10.00-5.00
Transportation vehicle	Average method of useful life	5	0-10	20.00-18.00
Electronic equipments and others	Average method of useful life	5	0-10	20.00-18.00

### **(3) Recognition Basis, Pricing and Depreciation Method of Fixed Asset under Finance Lease**

When the fixed assets leased by the Group meet one or more of the following criteria, it is recognized as fixed asset under finance lease: a) When the lease term expires, the ownership of the leased assets is transferred to the Group. b) The Group has the option to purchase leased assets, and the purchase price concluded is expected to be much lower than the fair value of the leased assets when the option is exercised, so it can be reasonably determined that the Group will exercise this option on the lease start date. c) Even if the ownership of the asset is not transferred, the lease period accounts for most of the service life of the leased asset. d) The present value of the Group's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date. e) The leased assets are of a special nature and only the Group can leverage them without major renovation.

The fixed assets under finance lease shall be the booked value at the lower of the fair value of the leased assets on the lease start date and the present value of the minimum lease payment. The minimum lease payment is taken as the book value of long-term payables, and the difference is taken as unrecognized financing expenses. The initial direct costs such as handling charges, attorney's fees, travel expenses, and stamp taxes that incurred during the lease negotiation and signing of the lease contract are included in the value of the leased asset. Unrecognized financing expenses are allocated leveraging the effective interest rate method in each period of the lease period.

Fixed asset under finance lease adopts the same policy as its own fixed assets to withdraw depreciation of leased assets. If it can be reasonably determined that the ownership of the leased asset will be acquired at the end of the lease period, depreciation will be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset can be acquired at the end of the lease period, the depreciation shall be accrued in the shorter period between the lease period and the residual life of the leased asset.

### **(4) Other Notes**

At the end of each year, review is carried out by the Group for the service life, estimated net residual value and depreciation method of fixed assets. If there is any difference between the expected service life and the original estimated service life, the service life of fixed assets will be adjusted; if there is any difference between the expected net residual value and the original estimated net residual value, the expected net residual value will be adjusted.

Major repair expenses incurred by the Group in the regular inspection of fixed assets are included in the cost of fixed assets if evidence shows that they meet the recognition conditions of fixed assets, and those fail to meet the recognition conditions of fixed assets are included in the current profit and loss. Fixed assets at intervals of regular major repairs shall be depreciated as accrued.

## **16. Construction in Progress**

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

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

See the details of the impairment provision withdrawal method of the construction in progress to Notes V-21.

## **17. Engineering Materials**

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

The purchased engineering materials will be measured according to the cost. The received engineering materials will be transferred

to the project under construction, and the remaining engineering materials after the completion of the project will be stored as inventory.

Please refer to Note V (21) for the method of provision for impairment of assets for engineering materials.

In the balance sheet, the ending balance of engineering materials is listed in the "project under construction" item.

## 18. Borrowing Costs

### (1) Confirmation principle of Capitalized Borrowing Expense

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

- ① Assets expenditure has occurred, and asset expenditure includes the expenditure occurring in the form of payment in cash, transferring noncash asset or assuming interest bearing debt for acquiring, constructing or producing the assets meeting capitalization conditions;
- ② Borrowing expenses have occurred;
- ③ The acquisition, construction or production activities required for making assets usable or saleable as intended have started.

### (2) Capitalization period of borrowing expenses

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

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

### (3) Capitalization rate of borrowing expenses and calculation method of capitalized amount

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

## 19. Right-of-use Assets

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

The term "right-of-use assets" refers to the right of the lessee to use the leased assets during the lease term. At the start date of the lease term. The Company initially measures the right-of-use assets at cost. The cost includes: a) the initial measurement amount of lease obligations; b) the lease payment amount paid on or prior to the inception of the lease (less the related amount of lease incentives already enjoyed if any); c) the initial direct cost incurred by the lessee; and d) the anticipated cost of dismantling and removing the leasehold property, restoring the site where the leasehold property is located, or bringing the leasehold property back to the state agreed upon in the lease terms.

The Company makes provision for depreciation of right-of-use assets with the composite life method. Where it can be reasonably certain that the Company will obtain ownership of the leased assets at the expiry of the lease term, the leased assets are depreciated

over the expected residual service life; where it cannot be reasonably certain that the Company can obtain ownership of the leased assets at the end of the lease term, the leased assets are depreciated at the shorter of the lease term and the residual service life of the leased assets.

The Company will determine the impairment of right-of-use assets and conduct accounting treatment in accordance with relevant provisions of the Accounting Standards for Business Enterprises No.8 - Asset Impairment.

## 20. Intangible Assets

### (1) Pricing Method, Useful Life and Impairment Test

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

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

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

Category	Service life	Amortization method	Note
Land use right	Stipulated in the land certificate	Method of line	
Patent use right	10 years	Method of line	
Software use right	1-3 years	Method of line	
Brand use right	10 years	Method of line	

At the end of each year, the Company reviews the service life and amortization method of intangible assets with limited service life. If the estimate is different from the previous one, the original estimate shall be adjusted and treated as per accounting estimate change. If it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the date of balance sheet, this carrying amount of the intangible asset shall be transferred into the current profit and loss.

The method of withdrawing impairment on intangible assets was stated in the Note V-21.

### (2) Accounting Policy for Internal Research and Development Expenditures

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

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

The development expenditures can be capitalized only when they satisfy the following conditions simultaneously: ① It is feasible technically to finish intangible assets for use or sale; ② It is intended to finish and use or sell the intangible assets; ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; ⑤ The development expenditures of the intangible assets can be reliably measured. The development expenditures shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

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

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

## 21. Impairment of Long-term Assets

For long term equity investment in subsidiaries, associated enterprises and joint ventures, investment real estate which follow-up measurement is carried out by cost pattern, fixed assets, construction in progress, right-of-use assets, intangible assets, business reputation, etc. (excluding inventory, investment property measured at fair value pattern, deferred income tax assets, financial assets), the impairment of assets shall be determined according to the following methods:

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

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

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

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

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

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

## 22. Long-term Deferred Expenses

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

## 23. Payroll

### (1) Accounting Treatment of Short-term Compensation

During the accounting period in which employees provide services, the Company recognizes the actual employee wages, bonuses, social insurance premiums such as medical insurance premiums, industrial injury insurance premiums, and maternity insurance premiums and housing provident funds paid to employees according to the prescribed standards and proportions as liabilities and

included them in the current profit and loss or related asset costs.

## **(2) Accounting Treatment of the Welfare after Departure**

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

Set withdrawal plan

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

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

Define a benefit plan

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

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

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

## **(3) Accounting Treatment of the Demission Welfare**

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

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



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

Other long-term employee benefits provided by the Company to employees that meet the conditions of defined contribution plans shall be handled in accordance with the above-mentioned relevant provisions on defined contribution plans. Those in line with the defined benefit plan shall be handled in accordance with the above-mentioned relevant provisions on the defined benefit plan.

However, the part of "changes caused by remeasuring the net liabilities or net assets of the defined benefit plan" in the salary cost of relevant employees shall be included in the current profit and loss or the relevant asset cost.

#### **24. Lease Liabilities**

The Company initially measures the lease obligation at the present value of the lease payments outstanding at the commencement date of the lease term. Lease payments include: a) fixed payment (including substantial fixed payment), and the relevant amount after deducting the lease incentive if any; b) variable lease payments depending on index or ratio; c) estimated payments due to the guaranteed residual value provided by the lessee; d) exercise price of the purchased option, provided that the lessee reasonably determines that the option will be exercised; and e) the amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease.

The Company uses the interest rate implicit in lease as the rate of discount. If the interest rate implicit in lease cannot be reasonably determined, the Company's incremental borrowing rate is used as the rate of discount. The Company calculates the interest expenses of the lease obligations during each period of the lease term at a fixed periodic interest rate, and includes them in financial expenses.

The periodic interest rate refers to the rate of discount employed by the Company or the rate of discount after revision.

Variable lease payments that are not covered in the measurement of the lease obligations are included in current profit or loss when actually incurred.

When there is a change in the Company's evaluation results of lease renewal options, lease termination options or purchase options, the Company will re-measure the lease obligation utilizing the present value of the changed lease payment and the revised rate of discount, and adjust the book value of right-of-use assets accordingly. Where there is a change in substantial lease payment, estimated payments due to the guaranteed residual value, or variable lease payments depending on index or ratio, the Company will re-measure the lease obligation leveraging the present value of the changed lease payment and the original rate of discount, and adjust the book value of right-of-use assets accordingly.

#### **25. Provisions**

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

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

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

If all or part of the expenditure required to settle recognized provisions is expected to be compensated by a third party or other parties, the amount of compensation shall be recognized separately as an asset only when it is substantially certain that it will be received.

The recognized amount of compensation shall not exceed the book value of the recognized liabilities.

## 26. Share-based Payments and Equity Instruments

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

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

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

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

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

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

### (4) Relevant accounting treatment for implementing, modifying and terminating share-based payment plan

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

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

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

During the waiting period, if the granted equity instrument is canceled (except for the cancellation due to non-market conditions that do not meet the feasible conditions), the Company shall treat the canceled equity instrument as an accelerated exercise, immediately include the left amount to be recognized during the waiting period in the current profit and loss, and recognize the capital reserve at the same time. Where the employee or other party can choose to meet the non-feasible right condition but fails during the waiting

period, it shall be treated as the cancellation of the granted equity instrument.

## 27. Revenue

Accounting policies adopted for the recognition and measurement of revenue

### (1) General principle

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

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

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

- ① While the Company is performing the contract, the customer acquires and consumes the economic benefit arising from performance by the Company.
- ② The customer can control the goods in construction in the course of performance by the Company.
- ③ The goods outputted in the course of performance by the Company have irreplaceable purpose, and the Company has the right to collection of money for the completed performance part cumulative up to now in the whole term of contract.

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

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

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

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

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

### (2) Specific methods

The specific income confirming methods of the Company are following:

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

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

Revenue for DAP business is recognized when the products are shipped to the designated receiving location and delivered to the customer.

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

## **28. Government Grants**

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

Government grants for monetary assets shall be measured according to the amount received or receivable. Government grants for non-monetary assets shall be measured by fair value, and they shall be measured by the nominal amount of RMB1 if the fair value cannot be obtained reliably. Asset related government grants refer to the government grants obtained by the Company for acquisition and construction or other forms of long-term assets. In addition, they are government grants related to income.

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

The government grants related to assets shall be recognized as the deferred income, which shall be included in the profit and loss in installment in a reasonable and systematic way within the service life of the relevant assets. Income-related government grants which are used to compensate the relevant costs or losses incurred shall be included in the current profit and loss. Those used to compensate the relevant costs or losses in the later period shall be included in the deferred income, and shall be included in the current profit and loss during the recognition period of the relevant costs or losses. The government grants measured according to the nominal amount shall be directly included in the current profit and loss. The same method is adopted for the same or similar government subsidy businesses of the Company.

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

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

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

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

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

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

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

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

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

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

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

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

### **30. Lease**

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

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

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

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

For accounting policies for the right-of-use assets, see Note V-19.

Lease liabilities are initially measured in line with the lease payments not yet paid on the commencement date of the lease term using the present value calculated by the interest rate implicit in lease. If the interest rate implicit in lease cannot be determined, the incremental borrowing rate shall be used as the discount rate. Lease payments include: Fixed payment and substantial fixed payment, and the relevant amount after deducting the lease incentive if any; variable lease payments depending on index or ratio; exercise price

of the purchased option, provided that the lessee reasonably determines that the option will be exercised; the amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease; and estimated payments due to the guaranteed residual value provided by the lessee. Subsequently, it calculates the interest expenses of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in current profit and loss. Variable lease payments that are not covered in the measurement of the lease liabilities are included in current profit or loss when actually incurred.

#### Short-term lease

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

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

#### Low-value asset lease

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

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

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

#### Lease change

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

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

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

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

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

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

#### Financial lease

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

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

#### Operating leases

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

#### Lease change

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

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

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

### 31. Cost of Safety Production and Maintenance

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

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

Safety production costs and costs for sustaining simple reproduction are included in the cost of relevant production or current loss and profit when deducted, and are simultaneously included in the “specific reserve”.

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

### 32. Repurchase of Shares

Before the shares repurchased by the Company are cancelled or transferred, they are managed as treasury shares, and all expenditures

for the repurchase of shares are transferred to the cost of treasury shares. Consideration and transaction costs paid in share repurchase reduce shareholders' equity. When buying back, transferring or cancelling shares in the Company, no profits or losses are recognized. The transfer of inventory shares shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset. Write-off of treasury stocks can reduce shares in par with par value and number of write-out stocks. The capital reserve is offset based on the difference between book balance and face value of cancelled treasury stocks. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset.

### **33. Restricted Shares**

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

### **34. Changes in Main Accounting Policies and Estimates**

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

Applicable  Not applicable

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

Applicable  Not applicable

#### **(3) Adjustments to Financial Statement Items at the Beginning of the Year of the First Implementation of the New Accounting Standards Implemented since 2023**

Applicable  Not applicable

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

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

#### Classification of financial assets

The significant judgments involved when the Company determines the classification of financial assets include analysis of business models and contractual cash flow characteristics. The Company determines the business model for managing financial assets at the level of the financial asset portfolio, taking into account factors such as the approach of evaluating and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and the manner in which they are managed, and way in which the relevant business management personnel are compensated.

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

Whether the time distribution or amount of the principal amount during the duration may change due to early repayment or for other



reasons; whether the interest includes only the time value of money, credit risk, other basic lending risks and consideration against costs and profits. For example, whether the amount of early repayment reflects only the outstanding principal and interest based on the outstanding principal, as well as reasonable compensation paid for early termination of the contract.

#### Measurement of expected credit losses of accounts receivable

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

#### Goodwill impairment

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

#### Deferred income tax assets

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

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

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

## VI Taxation

### 1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable value-added amount (the taxable amount is calculated by multiplying the taxable sales by the applicable tax rate and deducting the input tax allowed to be deducted in the current period)	13%, 9%, 6%, 5%, 3%, 0
Urban maintenance and construction tax	Turnover tax actually paid	7%, 5%
Enterprise income tax	Income tax payable	0, 11%, 15%, 16.5%, 17%, 20%, 25%

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

Taxpayer	Income tax rate
The Company	15%

Lufeng Weaving & Dyeing	15%
Lulian New Materials	15%
Lu Thai Hong Kong	16.50%
Shanghai Lu Thai	20%
Shanghai Zhinuo	20%
Zhishu Consulting	20%
Banyang Villa	20%
Lu Thai Vocational Training School	0%
Huilin International	15%
LHIPL	17%
VACL	11%
Others in the consolidation scope	25%

## 2. Tax Preference

The Company, together with its holding subsidiaries, including Lufeng Weaving & Dyeing and Lulian New Materials, has been recognized as a high-tech enterprise. Therefore, in accordance with Article 28 of the *Enterprise Income Tax Law of the People's Republic of China* and the *Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High-tech Enterprises* (Announcement No. 24 [2017] of the State Administration of Taxation), the applicable enterprise income tax rate shall be 15%.

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

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

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

The wholly-owned subsidiary, Huilin International, which was registered in the Hainan Free Trade Port and operates in the encouraged industry, shall pay enterprise income tax at a reduced tax rate of 15% between 1 January 2020 and 31 December 2024, according to the *Announcement of the Ministry of Finance and the State Taxation Administration on the Preferential Income Tax*

*Policies for Enterprises Registered in the Hainan Free Trade Port* (Announcement No. 31 [2020] of the Ministry of Finance and the State Taxation Administration).

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

The wholly own subsidiary VACL, according to the Burma's Special Economic Zone Law issued by Pyidaungsu Hluttaw, VACL enjoys tax preference on corporate income tax of 7 (7 years tax holiday) + 5 (5 years tax revenues drop by half) + 5 (re-invest the profits within 1 year and continues to enjoy the half tax revenues 5 years afterwards). After grace period, enterprise income tax rate was of 22%. Year 2023 is the first year of tax halving period with the enterprise income tax rate at 11%.

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

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

### 1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	4,718,966.73	2,360,089.79
Bank deposits	1,544,812,531.20	2,054,133,036.04
Other monetary funds	1,911,794.04	11,275,128.14
Total	1,551,443,291.97	2,067,768,253.97
Of which: total amount deposited overseas	254,835,924.09	246,365,368.50

Other notes:

(1) On 30 June 2023, the monetary assets with restricted ownership were of RMB1,910,353.64, which were the deposit for domestic guarantee business of RMB515,460.80 and the deposit for L/C of USD193,043.38 (equivalent to RMB1,394,892.84).

(2) The interest receivable in bank deposits was RMB26,959,329.60.

### 2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	918,839,425.27	267,695,159.48
Of which:		
Debt instrument investment	901,270,568.81	239,522,650.65
Derivative financial assets	17,568,856.46	28,172,508.83
Of which:		
Total	918,839,425.27	267,695,159.48

### 3. Notes Receivable

#### (1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	85,221,612.48	95,123,874.32
L/C	112,083,380.93	73,631,841.52
Total	197,304,993.41	168,755,715.84

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Notes receivable for which bad debt provision separately accrued	0.00	0.00%	0.00	0.00%	0.00	0.00	0.00%	0.00	0.00%	0.00
Of which:										
Notes receivable of bad debt provision withdrawn by groups	197,304,993.41	100.00%			197,304,993.41	168,755,715.84	100.00%			168,755,715.84
Of which:										
Trade acceptance	0.00	0.00%								
Bank acceptance bill and L/C	197,304,993.41	100.00%			197,304,993.41	168,755,715.84	100.00%			168,755,715.84
Total	197,304,993.41	100.00%	0.00	0.00%	197,304,993.41	168,755,715.84	100.00%			168,755,715.84

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

Applicable  Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Commercial acceptance bill	0.00	0.00				0.00
<b>Total</b>	<b>0.00</b>	<b>0.00</b>				<b>0.00</b>

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

 Applicable  Not applicable**(3) Notes Receivable which Had Endorsed by the Company or Had Discounted and Had not Due on the Balance Sheet Date at the Period-end**

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill		57,867,417.94
<b>Total</b>		<b>57,867,417.94</b>

**4. Accounts Receivable****(1) Listed by Category**

Unit: RMB

Category	Ending balance					Beginning balance					
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value	
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion		
Accounts receivable withdrawal of Bad debt provision separately accrued	2,855,563.31	0.49%	2,855,563.31	100.00%			5,137,500.44	0.71%	5,137,500.44	100.00%	0.00
Of which:											

Accounts receivable withdrawal of bad debt provision of by group	577,630,215.71	99.51%	43,474,386.52	7.53%	534,155,829.19	716,765,668.96	99.29%	56,338,142.77	7.86%	660,427,526.19
Of which:										
Undue accounts (credit insurance insured)	182,353,008.63	31.41%	1,914,706.61	1.05%	180,438,302.02	166,814,345.91	23.11%	1,751,550.62	1.05%	165,062,795.29
Undue accounts (no credit insurance)	284,593,682.19	49.03%	14,229,684.15	5.00%	270,363,998.04	395,429,681.72	54.78%	19,771,484.04	5.00%	375,658,197.68
Overdue accounts (credit insurance insured)	42,993,075.36	7.41%	6,749,912.83	15.70%	36,243,162.53	73,996,751.59	10.25%	11,617,489.99	15.70%	62,379,261.60
Overdue accounts (no credit insurance)	67,690,449.53	11.66%	20,580,082.93	30.40%	47,110,366.60	80,524,889.74	11.15%	23,197,618.12	28.81%	57,327,271.62
Total	580,485,779.02	100.00%	46,329,949.83	7.98%	534,155,829.19	721,903,169.40	100.00%	61,475,643.21	8.52%	660,427,526.19

Bad debt provision separately accrued: June 2023

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,807,080.87	2,807,080.87	100.00%	Customer's application for bankruptcy protection
Customer 2	48,482.44	48,482.44	100.00%	Customer in financial difficulty
Total	2,855,563.31	2,855,563.31		

Bad debt provision separately accrued: Y2022

Unit: RMB

Name	Ending balance
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	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,705,609.83	2,705,609.83	100.00%	Customer filed for bankruptcy protection
Customer 2	1,986,544.97	1,986,544.97	100.00%	Customer financial difficulties
Customer 3	281,353.47	281,353.47	100.00%	Customer filed for bankruptcy protection
Customer 4	90,959.35	90,959.35	100.00%	Customer financial difficulties
Customer 5	73,032.82	73,032.82	100.00%	Customer financial difficulties
<b>Total</b>	<b>5,137,500.44</b>	<b>5,137,500.44</b>		

Withdrawal of bad debt provision by group: June 2023

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	182,353,008.63	1,914,706.61	1.05%
Group 2: Undue accounts (no credit insurance)	284,593,682.19	14,229,684.15	5.00%
Group 3: Overdue accounts (credit insurance insured)	42,993,075.36	6,749,912.83	15.70%
Group 4: Overdue accounts (no credit insurance)	67,690,449.53	20,580,082.93	30.40%
<b>Total</b>	<b>577,630,215.71</b>	<b>43,474,386.52</b>	

Notes:

Bad debt provision withdrawn by groups: Y2022

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	166,814,345.91	1,751,550.62	1.05%
Group 2: Undue accounts (no credit insurance)	395,429,681.72	19,771,484.04	5.00%
Group 3: Overdue accounts (credit insurance insured)	73,996,751.59	11,617,489.99	15.70%
Group 4: Overdue accounts (no credit insurance)	80,524,889.74	23,197,618.12	28.81%
<b>Total</b>	<b>716,765,668.96</b>	<b>56,338,142.77</b>	

Notes:

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

Applicable  Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
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Within 1 year (including 1 year)	569,409,935.73
1 to 2 years	3,654,284.87
2 to 3 years	38,830.18
Over 3 years	7,382,728.24
3 to 4 years	6,307,156.76
4 to 5 years	765,372.56
Over 5 years	310,198.92
Total	580,485,779.02

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision separately accrued	5,137,500.44	-2,281,937.13				2,855,563.31
Withdrawal of bad debt provision by group	56,338,142.77	-12,677,803.47		185,952.78		43,474,386.52
Total	61,475,643.21	-14,959,740.60		185,952.78		46,329,949.83

## (3) Accounts Receivable Written-off in Current Period

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	185,952.78

## (4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

Unit: RMB

Name of the entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Aggregate amount of top 5 of accounts receivable of ending balance collected by arrears party	109,253,305.36	18.82%	8,336,603.06
Total	109,253,305.36	18.82%	

## 5. Accounts Receivable Financing

Unit: RMB

Item	Ending balance	Beginning balance
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Notes Receivable	24,293,707.01	11,300,942.26
Less: Other comprehensive income-fair value change	-197,321.06	-92,637.48
<b>Total</b>	<b>24,096,385.95</b>	<b>11,208,304.78</b>

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

Applicable  Not applicable

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

Applicable  Not applicable

## 6. Prepayment

### (1) Prepayment Listed by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	126,679,716.40	99.26%	94,608,438.10	99.57%
1 to 2 years	826,642.15	0.65%	411,030.94	0.43%
2 to 3 years	121,427.27	0.10%	2,129.28	0.00%
Over 3 years	0.00	0.00%		
<b>Total</b>	<b>127,627,785.82</b>		<b>95,021,598.32</b>	

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

The total top 5 prepayment in ending balance collected according to the prepayment target for the Company was RMB66,505,029.66, accounting for 52.11% of total ending balance of prepayment.

## 7. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable	18,563,298.39	18,563,298.39
Other receivables	29,518,808.85	71,292,361.60
<b>Total</b>	<b>48,082,107.24</b>	<b>89,855,659.99</b>

### (1) Dividend Receivable

#### 1) Dividend Receivable Classification

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
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Fengshou Cotton	19,540,314.10	19,540,314.10
Less: Bad debt provision	-977,015.71	-977,015.71
<b>Total</b>	<b>18,563,298.39</b>	<b>18,563,298.39</b>

## 2) Significant Dividends Receivable Aging over 1 Year

Unit: RMB

Project (or investee)	Ending balance	Aging	Reason	Whether occurred impairment and its judgment basis
Fengshou Cotton	19,540,314.10	2-3 years	Collect in accordance with agreed dividend payment plan	Not past due
<b>Total</b>	<b>19,540,314.10</b>			

## 3) Withdrawal of Bad Debt Provision

Applicable Not applicable

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	977,015.71			977,015.71
Balance of 1 January 2023 in the Current Period				
Balance of 30 June 2023	977,015.71			977,015.71

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

Applicable Not applicable

## (2) Other Receivables

### 1) Other Receivables Classified by Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export rebates	3,221,539.24	14,027,493.50
VAT to be returned	8,278,028.44	8,307,493.84
Payment on behalf	12,651,588.94	11,897,474.75
Guarantee deposit and cash deposit	3,015,014.86	4,220,014.58
Borrowings and petty cash	2,064,938.80	1,543,080.24
Others	3,397,510.13	36,256,599.70
<b>Total</b>	<b>32,628,620.41</b>	<b>76,252,156.61</b>

**2) Withdrawal of Bad Debt Provision**

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	3,681,740.03	1,278,054.98		4,959,795.01
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	-2,218,958.32	368,974.87		-1,849,983.45
Balance of 30 June 2023	1,462,781.71	1,647,029.85	0.00	3,109,811.56

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

 Applicable  Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	27,810,178.47
1 to 2 years	625,737.48
2 to 3 years	872,530.00
Over 3 years	3,320,174.46
3 to 4 years	765,952.27
4 to 5 years	76,463.18
Over 5 years	2,477,759.01
Total	32,628,620.41

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Expected credit loss of the next 12 months at the first stage	3,681,740.03	-2,218,958.32				1,462,781.71
Expected loss in the duration (credit impairment not occurred) at the second stage	1,278,054.98	368,974.87				1,647,029.85

Expected loss in the duration (credit impairment occurred) at the third stage						0.00
Total	4,959,795.01	-1,849,983.45	0.00	0.00	0.00	3,109,811.56

#### 4) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other receivables %	Ending balance of bad debt provision
Customer 1	Input VAT	8,134,048.45	Within 1 year	24.93%	406,702.42
Customer 2	Advance payments	5,138,238.51	Within 1 year	15.75%	256,911.93
Customer 3	Export rebates	3,221,539.23	Within 1 year	9.87%	161,076.96
Customer 4	Advance payments	1,144,279.95	Within 1 year	3.51%	57,214.00
Customer 5	Advance payments	1,229,536.19	Within 1 year	3.77%	61,476.81
Total		18,867,642.33		57.83%	943,382.12

## 8. Inventory

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

No

### (1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves of inventories or impairment provision for contract performance costs	Carrying value	Carrying amount	Depreciation reserves of inventories or impairment provision for contract performance costs	Carrying value
Raw materials	1,054,147,051.45	55,397,065.04	998,749,986.41	964,638,749.13	47,996,904.87	916,641,844.26
Goods in process	529,340,419.70	15,058,185.71	514,282,233.99	502,282,021.10	12,926,711.64	489,355,309.46
Inventory goods	885,867,404.34	193,427,654.40	692,439,749.94	869,338,282.54	181,010,948.47	688,327,334.07
Assigned processing products	17,371,088.14		17,371,088.14	13,525,220.54		13,525,220.54
Total	2,486,725,963.63	263,882,905.15	2,222,843,058.48	2,349,784,273.31	241,934,564.98	2,107,849,708.33

**(2) Falling Price Reserves of Inventory and Impairment Reserves for Contract Performance Costs**

Unit: RMB

Item	Beginning balance	Increased amount of the current period		Decreased amount for the current period		Ending balance
		Withdrawal	Others	Transferred-back or charged-off	Others	
Raw materials	47,996,904.87	8,300,734.32	628,508.02	1,529,082.17		55,397,065.04
Goods in process	12,926,711.64	9,932,665.69	0.00	7,801,191.62		15,058,185.71
Inventory goods	181,010,948.47	57,432,153.94	871,636.46	45,887,084.47		193,427,654.40
Total	241,934,564.98	75,665,553.95	1,500,144.48	55,217,358.26		263,882,905.15

**9. Other Current Assets**

Unit: RMB

Item	Ending balance	Beginning balance
Other tax	11,981,883.51	9,813,869.63
Prepaid income tax	3,660,072.09	14,983,737.42
Prepaid other taxes	1,517.42	432,344.55
Convertible broken lot fund	199,688.35	199,689.59
Refundable deposits	101,734,649.86	51,418,261.88
Total	117,577,811.23	76,847,903.07

**10. Long-term Equity Investment**

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease for the current period								Ending Balance (Carrying Value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Others		
I. Joint ventures											
II. Associated enterprises											
Ningbo Meishan Bonded Port	60,547,749.28			-351,268.49						60,196,480.79	

Area Haohong Equity Investment Partnership (L.P) (herein after referred to as “Haohong Investment”)										
Ningbo Haoying Equity Investment Partnership (L.P) (herein after referred to as “Haoying Investment”)	123,620 ,876.41			- 981,880 .37					122,638 ,996.04	
Subtotal	184,168 ,625.69		0.00	- 1,333,1 48.86					182,835 ,476.83	
Total	184,168 ,625.69		0.00	- 1,333,1 48.86					182,835 ,476.83	

## 11. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Equity instrument investment	77,080,000.00	325,110,000.00
Financial assets assigned measured by fair value and the changes be included in the current gains and losses	12,000,000.00	12,000,000.00
Total	89,080,000.00	337,110,000.00

## 12. Investment Property

### (1) Investment Property Adopting the Cost Measurement Mode

Applicable Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	33,577,852.12			33,577,852.12
2. Increased amount for the current period				
(1) Outsourcing				
(2) Transfer from inventory/fixed assets/construction in progress				
(3) Business combination increase				
3. Decreased amount for the current period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	33,577,852.12			33,577,852.12
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	13,116,916.91			13,116,916.91
2. Increased amount for the current period	450,683.41			450,683.41
(1) Withdrawal or amortization	450,683.41			450,683.41
3. Decreased amount for the current period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	13,567,600.32			13,567,600.32
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount for the current period				
(1) Withdrawal				
3. Decreased amount for the current period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				

1. Ending carrying value	20,010,251.80			20,010,251.80
2. Beginning carrying value	20,460,935.21			20,460,935.21

**(2) Investment Property Adopting the Fair Value Measurement Mode**

Applicable  Not applicable

**13. Fixed Assets**

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	5,686,991,158.97	5,807,847,850.67
Total	5,686,991,158.97	5,807,847,850.67

**(1) List of Fixed Assets**

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value:					
1. Beginning balance	3,652,101,893.21	7,427,223,782.49	53,341,156.82	133,738,892.88	11,266,405,725.40
2. Increased amount for the current period	52,599,868.40	50,249,815.12	3,853,107.92	26,151,727.42	132,854,518.86
(1) Purchase	0.00	39,274,124.69	1,389,395.20	571,014.34	41,234,534.23
(2) Transfer from construction in progress	8,072,170.65	6,897,469.12		0.00	14,969,639.77
(3) Business combination increase					0.00
(4) Other increase	44,527,697.75	4,078,221.31	2,463,712.72	25,580,713.08	76,650,344.86
3. Decreased amount for the current period	0.00	23,965,219.50	64,957.26	1,423,445.95	25,453,622.71
(1) Disposal or scrap	0.00	15,624,873.76	64,957.26	1,423,445.95	17,113,276.97
(2) Transfer from construction in progress		8,340,345.74			8,340,345.74



(3) Other decrease					
4. Ending balance	3,704,701,761.61	7,453,508,378.11	57,129,307.48	158,467,174.35	11,373,806,621.55
II. Accumulative depreciation					
1. Beginning balance	1,217,812,756.74	4,048,548,925.66	39,994,380.21	114,073,387.92	5,420,429,450.53
2. Increased amount for the current period	72,186,131.10	167,031,980.40	4,229,794.65	3,787,671.09	247,235,577.24
(1) Withdrawal	66,557,814.24	151,896,224.05	3,940,544.52	3,584,593.29	225,979,176.10
(2) Other Increases	5,628,316.86	15,135,756.35	289,250.13	203,077.80	21,256,401.14
3. Decreased amount for the current period	0.00	14,677,834.08	58,461.53	1,342,123.48	16,078,419.09
(1) Disposal or scrap	0.00	11,572,660.17	58,461.53	1,342,123.48	12,973,245.18
(2) Transfer from construction in progress		3,105,173.91			3,105,173.91
(4) Other decrease					
4. Ending balance	1,289,998,887.84	4,200,903,071.98	44,165,713.33	116,518,935.53	5,651,586,608.68
III. Depreciation reserves					
1. Beginning balance	429,416.16	37,631,204.93	5,671.30	62,131.81	38,128,424.20
2. Increased amount for the current period					
(1) Withdrawal					
3. Decreased amount for the current period		2,899,570.30		0.00	2,899,570.30
(1) Disposal or scrap		2,899,570.30			2,899,570.30
4. Ending balance	429,416.16	34,731,634.63	5,671.30	62,131.81	35,228,853.90
IV. Carrying value					
1. Ending carrying value	2,414,273,457.61	3,217,873,671.50	12,957,922.85	41,886,107.01	5,686,991,158.97

2. Beginning carrying value	2,433,859,720.31	3,341,043,651.90	13,341,105.31	19,603,373.15	5,807,847,850.67
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**(2) Fixed Assets Leased out by Operation Lease**

Unit: RMB

Item	Ending carrying amount
Houses and buildings	4,882,924.27

**(3) Fixed Assets Failed to Accomplish Certification of Property**

Unit: RMB

Item	Carrying value	Reason
Lufeng weaving dye gray yarn warehouse	10,186,234.68	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments
Lulian New Materials fabric inspection workshop	83,527,790.14	The same as above
Lulian New Materials yarn warehouse	8,344,878.57	The same as above

**14. Construction in Progress**

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	377,550,919.39	162,197,188.04
Engineering materials	161,053,061.49	37,746,313.69
Total	538,603,980.88	199,943,501.73

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

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Reform project of Xinsheng Thermal Power	16,078,622.35		16,078,622.35	18,548,362.41		18,548,362.41
High-grade fabric product line project (I)	331,642,537.17		331,642,537.17	110,653,801.46		110,653,801.46
Other sporadic projects	29,829,759.87		29,829,759.87	32,995,024.17		32,995,024.17
Total	377,550,919.39		377,550,919.39	162,197,188.04		162,197,188.04

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

Unit: RMB

Project Name	Budget	Beginning balance	Increased amount of the current period	Transferred in fixed assets	Other decreased amount for the current period	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Reform project of Xinshe ng Thermal Power	30,000,000.00	18,548,362.41	4,079,396.96	6,549,137.02		16,078,622.35	80.00%	90.00%				Other
High-grade fabric product line project (I)	464,800,000.00	110,653,801.46	220,988,735.71			331,642,537.17	71.35%	71.35%	9,703,751.96	9,703,751.96	3.68%	Public offering fund and self-raised fund
Other sporadic projects		32,995,024.17	5,255,238.45	8,420,502.75		29,829,759.87						Other
<b>Total</b>	<b>494,800,000.00</b>	<b>162,197,188.04</b>	<b>230,323,371.12</b>	<b>14,969,639.77</b>	<b>0.00</b>	<b>377,550,919.39</b>			<b>9,703,751.96</b>	<b>9,703,751.96</b>		

**(3) Engineering Materials**

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Special equipment	161,053,061.49		161,053,061.49	37,746,313.69		37,746,313.69
<b>Total</b>	<b>161,053,061.49</b>		<b>161,053,061.49</b>	<b>37,746,313.69</b>		<b>37,746,313.69</b>

**15. Right-of-use Assets**

Unit: RMB

Item	Houses and buildings	Land use right	Total
I. Original carrying value			
1. Beginning balance	74,496,696.93	445,512,889.01	520,009,585.94
2. Increased amount for the current period	3,714,244.15	14,457,623.14	18,171,867.29
(1) Other Increase	3,714,244.15	14,457,623.14	18,171,867.29
3. Decreased amount for the current period			
4. Ending balance	78,210,941.08	459,970,512.15	538,181,453.23
II. Accumulative depreciation			
1. Beginning balance	22,293,617.24	16,295,463.39	38,589,080.63
2. Increased amount for the current period	6,383,739.71	5,867,077.77	12,250,817.48
(1) Withdrawal	5,147,501.62	5,553,109.05	10,700,610.67
(2) Other Increases	1,236,238.09	313,968.72	1,550,206.81
3. Decreased amount for the current period			
(1) Disposal			
4. Ending balance	28,677,356.95	22,162,541.16	50,839,898.11
III. Depreciation reserves			
1. Beginning balance			
2. Increased amount for the current period			
(1) Withdrawal			
3. Decreased amount for the current period			
(1) Disposal			
4. Ending balance			
IV. Carrying value			
1. Ending carrying value	49,533,584.13	437,807,970.99	487,341,555.12
2. Beginning carrying value	52,203,079.69	429,217,425.62	481,420,505.31

## 16. Intangible assets

### (1) List of intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patent technologies	Software use rights	Total
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I. Original carrying value					
1. Beginning balance	470,314,218.02	409,550.00		1,408,745.96	472,132,513.98
2. Increased amount for the current period				377,450.16	377,450.16
(1) Purchase				371,681.42	371,681.42
(2) Internal R&D					
(3) Business combination increase					
(4) Other increase				5,768.74	5,768.74
3. Decreased amount for the current period				207,079.65	207,079.65
(1) Disposal				207,079.65	207,079.65
4. Ending balance	470,314,218.02	409,550.00		1,579,116.47	472,302,884.49
II. Accumulated amortization					
1. Beginning balance	118,257,329.99	71,671.98		913,933.95	119,242,935.92
2. Increased amount for the current period	5,273,783.82	20,476.86		257,228.08	5,551,488.76
(1) Withdrawal	5,273,783.82	20,476.86		256,508.20	5,550,768.88
(4) Other Increases				719.88	719.88
3. Decreased amount for the current period	265,898.85			207,079.65	472,978.50
(1) Disposal	265,898.85			207,079.65	472,978.50
4. Ending balance	123,265,214.96	92,148.84		964,082.38	124,321,446.18
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount for the current period					
(1) Withdrawal					
3. Decreased amount for the current period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	347,049,003.06	317,401.16		615,034.09	347,981,438.31
2. Beginning carrying value	352,056,888.03	337,878.02		494,812.01	352,889,578.06

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

**17. Development costs**

Unit: RMB

Item	Beginning balance	Increased amount of the current period			Decreased amount for the current period			Ending balance
		Internal development costs	Others		Recognized as intangible assets	Transferred into the current profit or loss		
R&D of products		131,290,032.04				131,290,032.04		
Total		131,290,032.04				131,290,032.04		

**18. Goodwill****(1) Original Carrying Value of Goodwill**

Unit: RMB

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

**19. Long-term Prepaid Expense**

Unit: RMB

Item	Beginning balance	Increased amount of the current period	Amortization amount of the current period	Other decreased amount	Ending balance
Decoration fee	2,869,384.57		587,479.50		2,281,905.07
Technical service charges	79,597.40		17,688.30		61,909.10
Total	2,948,981.97		605,167.80		2,343,814.17

**20. Deferred Income Tax Assets/Deferred Income Tax Liabilities****(1) Deferred Income Tax Assets Had Not Been Off-set**

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Provision for impairment of assets	277,685,760.46	38,500,375.54	255,841,124.12	38,889,866.26

Internal unrealized profit	86,662,593.50	12,083,037.05	131,224,111.61	17,495,580.49
Deductible losses	137,197,410.39	26,000,771.84	152,699,543.87	28,176,066.84
Payroll payable	56,249,001.82	8,449,107.07	73,899,001.83	11,096,607.07
Deferred income	152,710,698.64	23,806,448.32	159,284,848.68	24,863,045.77
Contract liabilities	83,530,009.89	20,882,502.45	81,088,515.08	20,272,128.77
Changes in fair value of other non-current financial assets	330,000.00	49,500.00	330,000.00	49,500.00
Changes in fair value of trading financial liabilities	5,258,300.00	788,745.00		
The changes of accounts receivable financing in fair value	197,321.06	29,598.16	92,637.48	13,895.62
Operating leases	6,274,343.04	1,002,949.03	6,274,343.07	1,002,949.03
Restricted stock incentive fees	53,367,269.88	8,005,090.48	53,367,269.88	8,005,090.48
Convertible corporate bonds	17,827,648.45	2,674,147.27	17,827,648.45	2,674,147.27
Associated enterprises	21,922,239.51	3,288,335.93	21,570,971.02	3,235,645.65
<b>Total</b>	<b>899,212,596.64</b>	<b>145,560,608.14</b>	<b>953,500,015.09</b>	<b>155,774,523.25</b>

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	658,195,369.06	105,285,717.34	643,426,505.04	101,589,274.02
Changes in fair value of trading financial assets	220,307,574.56	33,046,136.19	23,985,450.00	3,597,817.50
Changes in the fair value of other non-current financial assets	20,127,400.00	3,019,110.00	268,073,567.06	40,211,035.06
Associated enterprises	35,962,517.54	5,394,377.63	36,944,397.91	5,541,659.69
Fund income	23,245,944.02	3,486,891.60	2,024,310.22	303,646.53
<b>Total</b>	<b>957,838,805.18</b>	<b>150,232,232.76</b>	<b>974,454,230.23</b>	<b>151,243,432.80</b>

## (3) Deferred income tax assets or liabilities had been off-set listed in net amount

Unit: RMB

Item	Ending off-set amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets and liabilities	Beginning off-set amount of deferred income tax assets and liabilities	Beginning balance of deferred income tax assets and liabilities
Deferred income tax assets		145,560,608.14		155,774,523.25

Deferred income tax liabilities		150,232,232.76		151,243,432.80
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**(4) List of unrecognized deferred income tax assets**

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	81,763,112.47	49,938,675.28
Deductible losses	231,228,211.52	170,560,094.42
Total	312,991,323.99	220,498,769.70

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

Unit: RMB

Years	Ending amount	Beginning amount	Note
Y2023			
Y2024	646.08	646.08	
Y2025	52,127.16	52,127.16	
Y2026	71,952,021.26	71,952,021.26	
Y2027	98,555,299.92	98,555,299.92	
Y2028	60,668,117.10		
Total	231,228,211.52	170,560,094.42	

**21. Other Non-current Assets**

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Prepayment for equipment	175,390,097.49		175,390,097.49	80,902,453.33		80,902,453.33
Term deposits over 1 year	135,000,000.00		135,000,000.00	151,000,000.00		151,000,000.00
Interest receivable from term deposits over 1 year	299,236.11		299,236.11	10,637,013.55		10,637,013.55
Total	310,689,333.60		310,689,333.60	242,539,466.88		242,539,466.88

**22. Short-term Borrowings****(1) Category of Short-term Borrowings**

Unit: RMB



Item	Ending balance	Beginning balance
Credit loan	527,384,198.32	518,946,415.96
Total	527,384,198.32	518,946,415.96

Notes of the category for short-term loans:

The short-term borrowing includes interest payable of RMB421,939.05.

### 23. Trading financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	14,848,448.10	4,276,929.70
Of which:		
Derivative financial liabilities	14,848,448.10	4,276,929.70
Of which:		
Total	14,848,448.10	4,276,929.70

### 24. Notes payable

Unit: RMB

Category	Ending balance	Beginning balance
Bank acceptance bill		55,450,000.00
Total		55,450,000.00

The total amount of notes payable due but unpaid was RMB0.00.

### 25. Accounts Payable

#### (1) List of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	131,163,917.73	112,354,158.59
Engineering equipment	87,382,830.12	91,747,417.03
Others	41,763,649.50	42,486,888.12
Total	260,310,397.35	246,588,463.74

### 26. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
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Advance from sales	191,626,217.13	221,918,730.24
Less: contract liability recorded in other current liabilities	-8,170,976.59	-15,039,057.71
<b>Total</b>	<b>183,455,240.54</b>	<b>206,879,672.53</b>

## 27. Payroll Payable

### (1) List of payroll payable

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
I. Short-term salary	329,320,005.76	598,092,985.75	679,451,558.37	247,961,433.14
II. Post-employment benefit-defined contribution plans	707,153.96	73,520,413.75	74,088,231.07	139,336.64
III. Termination benefits		832,782.28	832,782.28	0.00
<b>Total</b>	<b>330,027,159.72</b>	<b>672,446,181.78</b>	<b>754,372,571.72</b>	<b>248,100,769.78</b>

### (2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
1. Salary, bonus, allowance, subsidy	264,765,901.82	526,347,917.28	610,947,255.76	180,166,563.34
2. Employee welfare		17,866,827.97	17,866,827.97	0.00
3. Social insurance	35,064.83	37,474,492.21	37,460,418.57	49,138.47
Of which: Medical insurance premiums	17,115.51	33,671,087.41	33,646,335.61	41,867.31
Work-related injury insurance premiums	6,185.58	3,790,287.71	3,789,728.58	6,744.71
Maternity insurance	11,763.74	13,117.09	24,354.38	526.45
4. Housing fund		6,986,392.10	6,986,392.10	
5. Labor union budget and employee education budget	64,519,039.11	9,417,356.19	6,190,663.97	67,745,731.33
<b>Total</b>	<b>329,320,005.76</b>	<b>598,092,985.75</b>	<b>679,451,558.37</b>	<b>247,961,433.14</b>

### (3) List of defined contribution plans

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
1. Basic pension insurance	444,238.10	70,614,664.50	70,927,274.36	131,628.24

2. Unemployment insurance premiums	262,915.86	2,905,749.25	3,160,956.71	7,708.40
Total	707,153.96	73,520,413.75	74,088,231.07	139,336.64

Other notes:

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

## 28. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	7,385,708.58	8,191,703.94
Enterprise income tax	10,491,445.36	7,853,201.82
Personal income tax	2,580,485.54	1,070,729.43
Urban maintenance and construction tax	1,797,820.16	3,625,674.57
Stamp duty	879,149.92	760,689.83
Real estate tax	5,169,486.75	5,023,343.97
Land use tax	3,818,481.25	1,980,295.59
Educational fee	600,226.10	1,602,333.55
Local education surcharge	536,174.30	1,068,222.36
Tax on natural resources	531,085.39	99,406.00
Environmental protection tax	239,812.58	207,841.00
Total	34,029,875.93	31,483,442.06

## 29. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	441,113.64	441,113.64
Other payables	53,148,114.08	82,916,183.07
Total	53,589,227.72	83,357,296.71

### (1) Dividends payable

Unit: RMB

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

Total	441,113.64	441,113.64
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**(2) Other Payables****1) Other payables listed by nature**

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	5,050,613.85	4,246,108.66
Collecting payment on behalf of others	4,707,395.36	
Restricted stock repurchase obligations	31,556,265.00	65,286,630.00
Others	11,833,839.87	13,383,444.41
Total	53,148,114.08	82,916,183.07

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

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings matured within 1 year	483,930,000.00	300,800,000.00
Lease obligation matured within 1 year	3,480,386.14	7,121,837.35
Total	487,410,386.14	307,921,837.35

**31. Other current liabilities**

Unit: RMB

Item	Ending balance	Beginning balance
Tax to be charged off	8,170,976.59	15,039,057.71
Endorsed undue bill under non-derecognition	45,095,251.10	51,849,967.46
Total	53,266,227.69	66,889,025.17

**32. Long-term Borrowings****(1) Category of long-term borrowings**

Unit: RMB

Item	Ending balance	Beginning balance
Credit loan	648,299,828.94	487,231,096.24
Less: current portion of long-term borrowings	-483,930,000.00	-300,800,000.00

Total	164,369,828.94	186,431,096.24
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Note to the category of long-term borrowings:

The long-term borrowing includes interest payable of RMB504,231.04.

Other notes, including interest rate range:

Item	Ending balance	Interest rate range (%)	Beginning balance	Interest rate range (%)
Credit loan	648,299,828.94	2.6-3.5	487,231,096.24	3.06-3.65

### 33. Bonds Payable

#### (1) Bonds payable

Unit: RMB

Item	Ending balance	Beginning balance
Convertible corporate bonds	1,449,985,859.18	1,438,162,231.27
Total	1,449,985,859.18	1,438,162,231.27

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

Unit: RMB

Name	Par value	Issue date	Bond duration	Issue amount	Beginning balance	Issued in the Reporting Period	Interest accrued at par value	Amortization of premium and depreciation	Repaid in the Reporting Period	Current shares converted	Ending balance
LuThai Convertible Bond 127016	1,400,000,000.00	9 April 2020	6	1,400,000,000.00	1,438,162,231.27	0.00	8,519,720.60	17,303,424.24	13,998,516.93	1,000.00	1,449,985,859.18
Total				1,400,000,000.00	1,438,162,231.27	0.00	8,519,720.60	17,303,424.24	13,998,516.93	1,000.00	1,449,985,859.18

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

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

The coupon rates of the convertible bonds issued by the Company are 0.3%, 0.6%, 1%, 1.5%, 1.8% and 2% in the following order from the first stage to the sixth stage, with interest payable annually. The conversion period shall commence from (and include)

the first trading day on 15 October 2020, six months after the date of issue, and shall end on (and include) the trading day prior to the maturity date of the convertible bonds (8 April 2026). Holders may apply for conversion during the conversion period.

The initial conversion price of convertible corporate bonds was RMB9.01 per share when it was issued but was adjusted to RMB8.91 per share since July 9, 2020, after the Company implemented the 2019 profit sharing agreement on July 8, 2020. After the Company implemented the restricted stock incentive plan in 2021, the price was adjusted to RMB8.76 per share accordingly since June 7, 2021. Upon the implementation of the 2020 profit sharing agreement by the Company on June 18, 2021, it was adjusted to RMB8.71 per share accordingly again since June 18, 2021. Upon the implementation of the 2021 profit sharing agreement by the Company on June 23, 2022, it was adjusted to RMB8.61 per share accordingly again since June 23, 2022. The Company completed the formalities for cancellation of the 23,935,748 repurchased B shares on 25 May 2023, and the conversion price of the convertible bond was adjusted to RMB8.73 per share on 26 May 2023. Upon the implementation of the 2022 Profit Distribution Plan by the Company on 16 June 2023, the conversion price of the convertible bond was adjusted to RMB8.63 per share accordingly on 16 June 2023.

### 34. Lease obligation

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	133,197,067.77	139,634,635.96
Unrecognized financing costs	-31,975,721.98	-34,011,494.78
Less: Current portion of lease liabilities	-3,480,386.14	-7,121,837.35
Total	97,740,959.65	98,501,303.83

Other notes

The amount of interest expense on lease liabilities accrued in H1 2023 was RMB2,315,000.27, which was included in financial costs - interest expense.

### 35. Long-term Payroll Payable

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

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	57,417,997.65	57,417,997.65
Total	57,417,997.65	57,417,997.65

### 36. Deferred Income

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Reason for formation
Government grants	159,615,037.36	14,190,000.00	20,764,150.04	153,040,887.32	Government grants
Total	159,615,037.36	14,190,000.00	20,764,150.04	153,040,887.32	

### 37. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Shares converted from capital reserve	Others	Subtotal	
Total shares	887,633,151.00				-23,935,632.00	-23,935,632.00	863,697,519.00

Other notes:

(1) The Company held the 2nd Meeting of the 10th Board of Directors on 29 June 2022 and the 3rd Extraordinary General Meeting of 2022 on 15 July 2022, reviewing and approving the *Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share)*. The Company repurchased 23,935,748 B shares in total through call auction via its securities account for repurchase and completed the formalities for cancellation of the foregoing repurchased shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 25 May 2023.

(2) A total of 116 shares of convertible bonds of the Company can be converted in the Reporting Period.

This change in share capital has been audited by Zhitong Accounting Firm (Special General Partnership) and the capital verification report ZTYZ (2023) No. 371C000235 was issued on 18 May 2023.

### 38. Other Equity Instruments

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

Unit: RMB

Outstanding financial instruments	Period-beginning		Increase		Decrease		Period-end	
	Number	Carrying value	Number	Carrying value	Number	Carrying value	Number	Carrying value
Convertible debt to equity		71,383,830.75				50.99		71,383,779.76
Total		71,383,830.75				50.99		71,383,779.76

A description of the increase or decrease in other equity instruments for the current period and reasons thereof, and basis for corresponding accounting treatment:

The decrease in other equity instruments for the period is due to the convertible debt-for-equity swap.

### 39. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
Capital premium (premium on stock)	294,877,268.02	30,336,158.91	75,863,250.13	249,350,176.80
Other capital reserves	100,994,867.69	11,076,415.02	30,335,235.00	81,736,047.71
Total	395,872,135.71	41,412,573.93	106,198,485.13	331,086,224.51

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

(1) The capital reserves—capital premium arising from the repurchase of B shares decreased by RMB75,863,250.13.

(2) The capital reserve - other capital reserve increased by RMB11,010,319.17 during the Reporting Period, arising from the restricted share incentive fees. The portion of restricted shares of RMB30,335,235.00 due to be unlocked was transferred from the capital reserve - other capital reserve to the capital reserve - capital premium.

(3) The capital reserves—capital premium arising from the conversion of convertible bonds increased by RMB923.91 in the Reporting Period.

#### 40. Treasury stocks

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
Restricted stock repurchase	65,286,630.00		33,443,265.00	31,843,365.00
B shares repurchase	89,109,568.73	10,689,429.40	99,798,998.13	0.00
Total	154,396,198.73	10,689,429.40	133,242,263.13	31,843,365.00

#### 41. Other comprehensive income

Unit: RMB

Item	Beginning balance	Amount of the current period						Ending balance
		Amount before deducting income tax for the current period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to the Company as the parent after tax	Attributable minority shareholders after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	107,628,898.09	70,856,577.34			-15,702.54	70,872,279.88		178,501,177.97
Differences arising from	107,695,495.07	70,961,260.92				70,961,260.92		178,656,755.99



translation of foreign currency-denominated financial statements								
The changes of accounts receivable financing in fair value	-66,596.98	- 104,683.58			-15,702.54	-88,981.04		- 155,578.02
Total of other comprehensive income	107,628,89 8.09	70,856,577. 34			-15,702.54	70,872,279. 88		178,501,17 7.97

#### 42. Special Reserve

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
Safety production costs		5,275,200.00	2,497,789.29	2,777,410.71
Total		5,275,200.00	2,497,789.29	2,777,410.71

#### 43. Surplus reserves

Unit: RMB

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance
Statutory surplus reserves	1,211,782,763.96			1,211,782,763.96
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	1,215,124,336.54			1,215,124,336.54

#### 44. Retained Earnings

Unit: RMB

Item	Reporting period	Same period of last year
Beginning balance of retained profits before adjustments	6,490,910,719.35	5,589,201,772.37
Beginning balance of retained profits after adjustments	6,490,910,719.35	5,589,201,772.37
Add: Net profit attributable to owners of the Company as the parent	221,647,998.15	393,950,852.46

Dividends of common shares payable	86,360,751.90	62,155,872.45
Ending retained profits	6,626,197,965.60	5,920,996,752.38

List of adjustment of beginning retained profits:

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

#### 45. Operating revenue and cost of sales

Unit: RMB

Item	Reporting period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	2,755,370,258.68	2,166,155,297.68	3,192,795,600.27	2,393,341,282.26
Other operations	85,121,003.79	67,777,069.99	137,498,862.98	103,991,759.33
Total	2,840,491,262.47	2,233,932,367.67	3,330,294,463.25	2,497,333,041.59

Information about performance obligations: None

Information in relation to the transaction price apportioned to the residual contract performance obligation:

As at the end of the Reporting Period, the revenue amount corresponding to the contract performance obligation yet to be fulfilled or yet to be completed under a signed contract is RMB 0.00, including RMB 0.00 expected to be recognized as revenue in 0, RMB 0.00 expected to be recognized as revenue in 0, and RMB 0.00 expected to be recognized as revenue in 0.

#### 46. Taxes and surtaxes

Unit: RMB

Item	Reporting period	Same period of last year
Urban maintenance and construction tax	7,809,806.48	9,776,946.60
Educational fee	3,269,199.52	4,171,872.08
Tax on natural resources	461,899.63	269,306.00
Real estate tax	10,749,586.45	10,096,302.07
Land use tax	7,639,050.17	5,119,280.86
Vehicle and vessel usage tax	47,802.52	48,152.44
Stamp duty	1,545,453.42	1,777,082.23
Local education surcharge	2,364,499.69	2,781,248.07
Environmental protection tax	473,062.48	461,067.66
Total	34,360,360.36	34,501,258.01

Other notes:

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

#### 47. Selling expense

Unit: RMB

Item	Reporting period	Same period of last year
Salary	33,546,461.28	34,521,119.07
Marketing expense	16,171,875.20	15,812,366.09
Travel expense	3,906,192.17	411,115.04
Depreciation charge	3,510,556.38	3,352,693.87
Office operating fee	7,315,422.95	4,126,339.40
Others	1,960,739.32	1,670,717.57
<b>Total</b>	<b>66,411,247.30</b>	<b>59,894,351.04</b>

#### 48. Administrative expense

Unit: RMB

Item	Reporting period	Same period of last year
Salary	80,911,708.29	93,534,860.68
Depreciation charge	19,438,392.08	18,872,138.30
Warehouse funding	18,862,735.72	19,455,536.27
Labor-union expenditure	5,566,260.80	6,143,835.05
Employee education budget	3,894,091.42	4,312,539.39
Amortization of intangible assets	5,795,577.62	5,805,244.20
Carriage charges	3,694,751.74	3,275,956.40
Others	37,144,843.72	38,880,033.28
<b>Total</b>	<b>175,308,361.39</b>	<b>190,280,143.57</b>

#### 49. R&D expense

Unit: RMB

Item	Reporting period	Same period of last year
Labor cost	74,856,472.66	66,198,913.29
Material expense	36,990,187.47	31,344,635.57
Depreciation charge	8,755,526.54	9,209,535.98
Other	10,687,845.37	8,198,157.03
<b>Total</b>	<b>131,290,032.04</b>	<b>114,951,241.87</b>

**50. Financial costs**

Unit: RMB

Item	Reporting period	Same period of last year
Interest expense	49,206,191.44	55,026,837.64
Less: Capitalized interest expense	9,703,751.96	10,810,250.47
Interest income	30,385,764.22	28,264,778.38
Add: Capitalized interest income		5,914,630.48
Foreign exchange gains or losses	-70,727,318.86	-98,749,158.07
Less: Capitalized foreign exchange gains or losses		
Others	4,603,167.24	4,949,236.76
<b>Total</b>	<b>-57,007,476.34</b>	<b>-71,933,482.03</b>

**51. Other income**

Unit: RMB

Sources	Reporting period	Same period of last year
Government grants	6,960,772.36	2,101,748.17
Transfer of deferred income	20,764,150.04	25,619,024.20
<b>Total</b>	<b>27,724,922.40</b>	<b>27,720,772.37</b>

**52. Investment income**

Unit: RMB

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by equity method	-1,333,148.86	-1,076,939.49
Investment income from disposal of trading financial assets	48,131,810.86	2,525,510.87
<b>Total</b>	<b>46,798,662.00</b>	<b>1,448,571.38</b>

**53. Gain on changes in fair value**

Unit: RMB

Sources	Reporting period	Same period of last year
Trading financial assets	-31,900,187.41	6,691,520.36
Of which: Income from changes in fair value generated by derivative financial instruments	-10,603,652.37	685,949.57
Trading financial liabilities	-10,571,518.40	-3,622,489.80
<b>Total</b>	<b>-42,471,705.81</b>	<b>3,069,030.56</b>

**54. Credit impairment loss**

Unit: RMB

Item	Reporting period	Same period of last year
Bad debt loss of other receivables	1,849,983.45	-907,638.23
Bad debt loss of notes receivable	0.00	6,394.34
Bad debt loss of accounts receivable	14,959,740.60	1,397,801.18
Bad debt loss of dividends receivable	0.00	1,498,035.64
<b>Total</b>	<b>16,809,724.05</b>	<b>1,994,592.93</b>

**55. Asset impairment loss**

Unit: RMB

Item	Reporting period	Same period of last year
II. Inventory falling price loss and impairment provision for contract performance costs	-75,665,553.95	-79,469,872.91
V. Impairment loss on fixed assets		-2,225,865.39
<b>Total</b>	<b>-75,665,553.95</b>	<b>-81,695,738.30</b>

**56. Asset disposal income**

Unit: RMB

Sources	Reporting period	Same period of last year
Fixed asset disposal income ("-" for loss)	-404,759.16	2,668,023.30
Intangible asset disposal income ("-" for loss)		
<b>Total</b>	<b>-404,759.16</b>	<b>2,668,023.30</b>

**57. Non-operating income**

Unit: RMB

Item	Reporting period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Claim income	2,140,794.59	2,413,323.36	
Other	2,090,456.30	612,930.10	
<b>Total</b>	<b>4,231,250.89</b>	<b>3,026,253.46</b>	

**58. Non-operating expense**

Unit: RMB

Item	Reporting period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donations	438,626.02	1,067,708.86	

Other	2,025,734.51	1,097,430.80	
Total	2,464,360.53	2,165,139.66	

## 59. Income tax expense

### (1) List of income tax expense

Unit: RMB

Item	Reporting period	Same period of last year
Current income tax expense	10,575,366.34	70,344,008.61
Deferred income tax expense	10,416,049.17	-2,576,432.11
Total	20,991,415.51	67,767,576.50

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

Unit: RMB

Item	Reporting period
Profit before taxation	230,754,549.94
Current income tax expense accounted at statutory/applicable tax rate	34,613,182.49
Influence of applying different tax rates by subsidiaries	-11,549,295.44
Influence of income tax before adjustment	-1,312,665.55
Influence of non-taxable income	0.00
Influence of not deductible costs, expenses and losses	77,929.18
Influence of utilizing deductible losses of unrecognized deferred income tax assets from prior years	0.00
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	15,167,029.28
Influence of additional deduction of R&D expenses (filled in with "-")	-12,441,424.78
Influence of other expense deduction (filled in with "-")	-3,563,339.67
Income tax expense	20,991,415.51

## 60. Other comprehensive income

Refer to Note VII-41 for details.

## 61. Cash flow statement

### (1) Cash generated from other operating activities

Unit: RMB

Item	Reporting period	Same period of last year
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Government subsidy	21,278,038.60	1,980,644.87
Claim income	1,680,611.12	1,683,147.72
Recovery of employee borrowings, petty cash and deposit	5,065,850.80	7,337,923.73
Collection for employees	1,913,782.89	5,216,485.83
Other	38,176,145.58	1,031,855.69
<b>Total</b>	<b>68,114,428.99</b>	<b>17,250,057.84</b>

**(2) Cash used in other operating activities**

Unit: RMB

Item	Reporting period	Same period of last year
Business travel charges	24,090,673.70	24,176,311.80
Insurance	2,214,458.96	2,535,111.86
Service fees	3,463,173.10	7,492,345.81
Decoration & repair expenses	1,205,617.14	1,853,995.94
Donation	954,843.00	1,005,693.17
Pre-payment	30,558.79	4,599,753.95
Payment of employee borrowings, petty cash and deposit	5,533,763.00	4,351,232.81
Others	29,886,632.19	23,880,290.25
<b>Total</b>	<b>67,379,719.88</b>	<b>69,894,735.59</b>

**(3) Cash generated from other investing activities**

Unit: RMB

Item	Reporting period	Same period of last year
Interest income	21,207,422.84	20,657,090.40
Income from forward foreign exchange and options	16,005,350.00	2,525,510.87
Income from holding of trading financial assets		
Return of guarantees	805,891.25	1,100,000.00
Return of term deposits	23,179,142.80	8,325,816.11
<b>Total</b>	<b>61,197,806.89</b>	<b>32,608,417.38</b>

**(4) Cash used in other investing activities**

Unit: RMB

Item	Reporting period	Same period of last year
Term deposit	2,506,369.87	172,545,016.96

Pay margin	1,387,667.04	1,323,689.98
Total	3,894,036.91	173,868,706.94

### (5) Cash used in other financing activities

Unit: RMB

Item	Reporting period	Same period of last year
Payment of right-of-use assets	9,505,516.17	9,179,573.11
Payment of cash deposits for profit distribution		9,039,411.18
Total	9,505,516.17	18,218,984.29

## 62. Supplemental information for cash flow statement

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

Unit: RMB

Supplemental information	Amount during the current period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net Profit	209,763,134.43	393,566,698.74
Add: Provision for impairment of assets	58,855,829.90	79,701,145.37
Depreciation of fixed assets, oil-gas assets, and productive biological assets	247,686,260.65	224,384,809.38
Depreciation of right-of-use assets	12,250,817.48	8,988,103.95
Amortization of intangible assets	5,551,488.76	5,502,457.48
Amortization of long-term prepaid expenses	605,167.80	490,056.67
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-404,759.16	-3,069,030.56
Losses from scrap of fixed assets (gains: negative)		-28,052.73
Losses from changes in fair value (gains represented by "-")	42,471,705.81	-6,691,520.36
Finance costs (gains: negative)	-61,610,643.58	-76,882,718.79
Investment loss (gains represented by "-")	-46,798,662.00	-1,448,571.38
Decrease in deferred income tax assets (gains: negative)	10,213,915.11	-6,803,474.24
Increase in deferred income tax liabilities ("-" means decrease)	-1,011,200.04	4,250,378.88
Decrease in inventory (gains: negative)	-136,941,690.32	-283,734,148.64
Decrease in accounts receivable generated from operating activities (gains represented by "-")	70,267,472.18	1,860,662.45
Increase in accounts payable used in operating activities (decrease represented by "-")	-262,288,620.04	-222,604,387.48



Others		
Net cash flow from operating activities	148,610,216.98	117,482,408.74
2. Significant investing and financing activities without involvement of cash receipts and payments		
Conversion of debt to capital		
Convertible corporate bonds matured within one year		
Fixed asset under finance lease		
3. Net increase/decrease of cash and cash equivalent:		
Closing balance of cash	1,289,867,784.05	1,729,633,239.07
Less: Opening balance of cash	1,822,897,270.16	1,970,006,884.89
Plus: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-533,029,486.11	-240,373,645.82

## (2) Cash and cash equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,289,867,784.05	1,822,897,270.16
Including: Cash on hand	4,718,966.73	2,360,089.79
Bank deposits on demand	1,285,147,376.92	1,810,590,630.08
Other monetary assets on demand	1,440.40	9,946,550.29
III. Ending balance of cash and cash equivalents	1,289,867,784.05	1,822,897,270.16

## 63. Assets with restricted ownership or right to use

Unit: RMB

Item	Ending carrying amount	Reason for Restriction
Monetary capital	1,910,353.64	Cash deposit
Other current assets	101,734,649.86	Refundable deposits
Total	103,645,003.50	

## 64. Foreign currency monetary items

### (1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Ending balance converted to RMB
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Monetary capital			
Of which: USD	47,723,907.12	7.2258	344,843,408.07
EUR	1,275,226.42	7.8771	10,045,086.03
HKD	4,136,573.14	0.9220	3,813,920.44
JPY	12,478,328.00	0.0501	625,164.23
CHF	616.44	8.0614	4,969.37
GBP	57.18	9.1432	522.81
Dong	52,333,090,739.00	0.0003	16,044,838.61
MMK	661,474,026.72	0.0034	2,276,037.74
Riel	101,084,492.00	0.0017	176,856.29
Notes receivable			
Of which: USD	15,447,197.45	7.2258	111,618,359.33
Accounts receivable			
Of which: USD	51,855,545.54	7.2258	374,697,800.96
EUR	97,826.27	7.8771	770,587.31
HKD			
Dong	20,354,280,945.00	0.0003	6,240,433.12
Long-term borrowings			
Of which: USD			
EUR			
HKD			
Other receivables			
Of which: USD	1,304,108.06	7.2258	9,423,224.02
EUR	40,900.00	7.8771	322,173.39
HKD	148,549.00	0.922	136,962.18
JPY	4,595,040.00	0.0501	230,211.50
Dong	697,724,334.00	0.0003	213,915.79
MMK	2,000,000.00	0.0034	6,881.71
Accounts payable			
Of which: USD	3,512,862.89	7.2258	25,383,244.67
EUR	18,289.20	7.8771	144,065.86
JPY	803,987.00	0.0501	40,279.75
Dong	30,280,322,995.00	0.0003	9,283,665.24
MMK	33,728,957.00	0.0034	116,056.53

Other payables			
Of which: USD	4,443.21	7.2258	32,105.75
Dong	1,035,006,422.00	0.0003	317,323.34
MMK	1,030,000.00	0.0034	3,544.08
Short-term borrowings			
Of which: USD	32,722,650.43	7.2258	236,447,327.48
Dong	269,388,429,265.00	0.0003	82,591,985.48

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

Applicable Not applicable

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

## 65. Government Grants

### (1) Basic information on government grants

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Withholding and remitting of return of handling charges	252,541.79	Other income	252,541.79
Technical transformation project subsidies	3,969,900.00	Other income	3,969,900.00
Tax reduction and exemption	2,106,830.57	Other income	2,106,830.57
Human resources subsidies	471,500.00	Other income	471,500.00
Quality improvement subsidies	160,000.00	Other income	160,000.00
Total	6,960,772.36		6,960,772.36

### (2) Return of Government Grants

Applicable  Not applicable

## VIII. Change of Consolidation Scope

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

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

No change.

## IX. Equity in Other Entities

### 1. Equity in Subsidiary

#### (1) Compositions of the Group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Lufeng Company Limited	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Shanghai Zhinuo	Shanghai	Shanghai	Technology development, technical consultancy and transfer of technologies	100.00%		Set-up
Lulian New Materials	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Lujia Import & Export	Zibo	Zibo	Import and export trade	100.00%		Set-up
Zhishu Consulting	Beijing	Beijing	Management consulting	100.00%		Set-up
Lu Thai Occupational Training School	Zibo	Zibo	Skill training	100.00%		Set-up
Banyang Mountain Villa	Zibo	Zibo	Catering services	100.00%		Set-up
Huilin International	Wenchang	Wenchang	Modern service industry	100.00%		Set-up
LIPL (sub-subsidiary)	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Set-up
VACL	Burma	Burma	Manufacturing industry	100.00%		Set-up
Lu Thai (America)	America	America	Wholesale and retail industry	100.00%		Set-up
Yuanhui Fund				100.00%		Subscribe

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

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Lufeng Company Limited	25.00%	2,463,643.73		347,714,974.91
Lulian New Materials	25.00%	-14,348,507.45		34,149,548.60

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

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Lufeng Company Limited	958,137,401.46	694,530,575.99	1,652,667,977.45	199,990,653.27	55,486,381.89	255,477,035.16	977,751,666.75	736,108,963.24	1,713,860,629.99	264,894,436.41	57,773,566.53	322,668,002.94
Lulian New Materials	100,506,241.61	585,392,877.73	685,899,119.34	546,423,954.43	3,331,546.24	549,755,500.67	194,594,378.81	590,738,673.35	785,333,052.16	588,315,533.14	3,331,546.24	591,647,079.38

Unit: RMB

Name	Reporting period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Lufeng Company Limited	630,672,258.24	6,009,887.37	5,998,315.24	111,673,719.55	824,088,561.65	53,903,771.42	53,785,571.14	286,465,944.48
Lulian New Materials	59,510,967.89	-57,542,354.11	-57,542,354.11	-50,620,961.20	37,558,406.73	-45,385,029.29	-45,385,029.29	-20,097,376.54

**2. Equity in joint ventures or associated enterprises****(1) Significant joint ventures or associated enterprises**

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

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

Unit: RMB

	Ending balance/reporting period		Beginning balance/the same period of last year	
	Haohong Investment	Haoying Investment	Haohong Investment	Haoying Investment
Current assets	183,836,731.09	276,420,297.42	184,892,005.99	278,997,681.82
Non-current assets				

Total assets	183,836,731.09	276,420,297.42	184,892,005.99	278,997,681.82
Current liabilities	3,253,866.05		3,255,230.09	
Non-current liability				
Total liabilities	3,253,866.05		3,255,230.09	
Net assets	180,582,865.04	276,420,297.42	181,636,775.90	278,997,681.82
Equity of non-controlling interests				
Equity attributable to shareholders of the Company as the parent	180,582,865.04	276,420,297.42	181,636,775.90	278,997,681.82
Net assets shares calculated at the shareholding proportion	60,196,480.79	131,628,581.43	60,547,749.28	132,856,975.88
Adjusted items				
- Goodwill				
- Unrealized profit of internal transactions				
- Others		-8,989,585.38		-9,236,099.47
Carrying value of investment to associated enterprises	60,196,480.79	122,638,996.04	60,547,749.28	123,620,876.41
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating revenue				
Net profit	-1,053,910.87	-2,577,384.40	1,783,344.27	-4,386,967.62
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	-1,053,910.87	-2,577,384.40	1,783,344.27	-4,386,967.62
Dividends received from the associates in the current period				

## X. Risks Associated with Financial Instruments

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

### 1. Risk management objectives and policies

The Company has conducted the risk management to achieve an appropriate balance between the risk and the income and to minimize the adverse influence of financial risks on the Company's financial performance. According to such risk management objective, the Company has formulated corresponding risk management policy to recognize and analyze possible risks encountered by the Company, set the appropriate acceptable risk level and designed corresponding internal control procedures to monitor the Company's risk level. Meanwhile, the Company will regularly review these risk management policies and relevant

internal control system so as to cater for the market or respond to any change in the Company's business operations. Accordingly, the Company's internal audit department will also regularly or randomly check whether the internal control system is implemented in conformity with relevant risk management policies.

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

The Board of Directors shall be responsible for planning and establishing the risk management framework for the Company, determining the Company's risk management policies and relevant guidelines and monitoring the implementation of various risk management measures. However, the Company has established corresponding risk management policies to recognize and analyze possible risks encountered by the Company. Besides, various risks are specified in these risk management policies, including the credit risk, the liquidity risk and the market risk management etc. On a regular basis, the Company will evaluate the specific marketing environment and various changes in the Company's business operations so as to determine whether any risk management policy and system need be updated.

#### (1) Credit risk

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

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

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

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

The hugest credit risk exposure borne by the Company is the book value of each financial asset reflected in the balance sheet, and the Company also faces credit risk due to the provision of financial guarantee, as detailed in Note XII 2.

In terms of accounts receivable, the top 5 customers in accounts receivable were accounted for 18.82% of the total amount of accounts receivable of the Company (21.75% in 2022). As for other receivables, the top 5 of the ending balance according to the arrears party was accounted for 57.83% of the total amount of other receivables of the Company (85.42% in 2022).

#### Investment in debt obligations

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

On the balance sheet date, the carrying value of investment in debt obligations of the Company are listed as follows according to report items (Unit: RMB'0,000).

	30 June 2023	31 December 2022
Trading Financial Assets	90,127.06	23,952.27
Other Current Assets		-
<b>Total</b>	<b>90,127.06</b>	<b>23,952.27</b>

#### (2) Liquidity risk

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

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

### (3) Market risk

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

#### Interest rate risk

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

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

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

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

Item	30 June 2023	31 December 2022
Fixed-interest financial instruments		
Including: short-term borrowings	52,334.96	49,811.77
Current portion of long-term borrowings	29,880.00	19,880.00
Long-term borrowings	6,284.07	10,330.00
Bonds Payable	144,998.59	143,816.22
Total	<b>233,497.61</b>	<b>223,837.99</b>
Floating-interest financial instruments		
Financial assets	90,127.06	23,952.27
Including: trading financial assets	90,127.06	23,952.27
Financial liabilities	28,976.78	20,540.58
Including: short-term borrowings	361.29	2,077.58
Current portion of long-term borrowings	18,513.00	10,200.00
Long-term borrowings	10,102.49	8,263.00

On 30 June 2023, if the lending rate calculated at floating interest rate up or down 100 basis points with other variables unchanged, the net profit and shareholders' equity will be decreased or increased about RMB2,897,700.

On 30 June 2023, if the floating interest rate of trading financial assets up or down 100 basis points with other variables unchanged, the net profit and shareholders' equity will be decreased or increased about RMB9,012,700.

#### Foreign exchange risk



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

On 30 June 2023, the amount of foreign currency financial assets and foreign currency financial liabilities converted to renminbi is as follows (Unit: RMB'0,000):

Item	Foreign currency liabilities		Foreign currency assets	
	Amount at the End of This Reporting Period	Amount at the Beginning of This Reporting Period	Amount at the End of This Reporting Period	Amount at the Beginning of This Reporting Period
USD	26,186.27	16,573.86	84,058.28	105,905.57
EUR	14.41	108.42	1,113.78	2,061.26
JPY	4.03	30.43	85.54	29.81
HKD	0.00	0.00	395.09	234.03
GBP	0.00	0.00	0.05	0.05
CHF	0.00	0.00	0.50	0.10
SEK				
Dong	9,219.30	4,068.90	2,249.92	5,883.56
MMK	11.96	20.55	228.29	72.24
Riel	0.00	0.00	17.69	21.74
Total	35,435.96	20,802.16	88,149.14	114,208.36

The Group has paid close attention the impact of exchange rate fluctuations on the Group's exchange rate risk. As at the end of each reporting period, for the Group's monetary capital, bills receivable, accounts receivable, accounts payable, short-term borrowings and long-term borrowings denominated in foreign currencies, the impact on the Group's shareholders' equity and profit assuming a 10% appreciation or depreciation of RMB against foreign currencies, while other factors remain unchanged, would be as follows (Unit: RMB'0,000):

Exchange rate fluctuations	Current period		Same period last year	
	Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
10% appreciation against RMB	-5,271.32	-5,271.32	-9,469.17	-9,469.17
10% depreciation against RMB	5,271.32	5,271.32	9,469.17	9,469.17

## 2. Capital management

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

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

The Group supervised the capital structure based on the asset-liability ratio (namely total liabilities divide total assets). On 30 June 2023, the asset-liability ratio was 28.99% of the Company (29.53% on 31 December 2022).

## XI. Disclosure of Fair Value

### 1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Closing fair value
------	--------------------

	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(I) Trading financial assets	218,443,273.75	700,396,151.52		918,839,425.27
1. Financial assets at fair value through profit or loss	218,443,273.75	700,396,151.52		918,839,425.27
(1) Investment in debt instruments	218,443,273.75	682,827,295.06		901,270,568.81
(3) Derivative financial assets		17,568,856.46		17,568,856.46
(VI) Accounts receivable financing			24,096,385.95	24,096,385.95
(VII) Other non-current financial assets			89,080,000.00	89,080,000.00
The total amount of assets consistently measured at fair value	218,443,273.75	700,396,151.52	113,176,385.95	1,032,015,811.22
(VI) Trading financial liabilities		14,848,448.10		14,848,448.10
Of which: Derivative financial liabilities		14,848,448.10		14,848,448.10
The total amount of liabilities consistently measured at fair value		14,848,448.10		14,848,448.10
II. Inconsistent Fair Value Measurement	--	--	--	--

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

For equity of listed companies, the Company recognizes the fair value based on its market price on the publicly traded market.

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

For wealth management products, the Company determines their fair value based on the prospective earning rate as agreed in the contract.

For fund products, the Company determines their fair value based on the net unit value provided by the fund manager.

For forward options, the Company determines their fair value based on bank forward foreign exchange quotations at the end of the period.

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

For the unlisted equity investment, the Company adopts the comparable listed company comparison method, and the non-observable input value of the comparable listed company comparison method includes the liquidity discount.

The investment into Shandong Hongqiao Thermoelectric Co., Ltd. made by Luqun Textile (the Company's subsidiary) is expected to be held in the long run for obtaining the discount on power purchase. As no revenue distribution right is vested in the

investment, the invested unit's operating profit and loss are not shared or borne, and the equity transfer is not proposed, the Company regards it as the financial asset which shall be measured based on the fair value and whose variations are included in the current profit and loss, and the investment cost is deemed as the fair value of the financial asset.

For accounts receivables financing at fair value and the changes included in other comprehensive income, its fair value shall be determined by the discount cash flow method.

## 5. Explain the Reason for Conversion and the Governing Policy when the Conversion Happens if Conversion Happens among Consistent Fair Value Measurement Items at Different Levels

The Company takes the date of the event giving rise to the conversion between levels as the point at which the conversion between levels is recognised. Remegen Co., Ltd. where the Company has share investment was listed and is tradable, therefore the fair value measurement of this other non-current financial asset has been converted from level 2 to level 1.

## 6. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and financial liabilities measured at amortized cost mainly include: monetary assets, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payables, other payables, current portion of long-term borrowings, long-term borrowings and bonds payable, etc.

## XII. Related Party and Related-party Transactions

### 1. Information related to the company as the parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the company as the parent against the company (%)	Proportion of voting rights owned by the company as the parent against the company (%)
Lucheng Textile	Zibo	Textile, chemistry and investment	RMB63,260,000	16.25%	16.25%

Notes: information on the Company as the parent

The final controllers of the Company are Mr. Liu Zibin and Mr. Liu Deming.

### 2. Subsidiaries of the Company

Refer to Note IX-1.

### 3. Information on the joint ventures and associated enterprises of the Company

Refer to Note IX-2.

### 4. Information on other related parties

Name	Relationship with the company
Zibo Limin Purified Water Co., Ltd. (hereinafter referred to as "Limin Purified Water")	Wholly-owned subsidiary of the Company as the parent
Zibo Luqun Land Co., Ltd (hereinafter referred to as "Luqun Land")	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as "Lurui Chemical")	Wholly-owned subsidiary of the Company as the parent

Zibo Lujia Property Management Co., Ltd. (hereinafter referred to as "Lujia Property")	Wholly-owned subsidiary of the Company as the parent
Hong Kong Tung Hoi International Company Limited (hereinafter referred to as "Tung Hoi International")	Wholly-owned subsidiary of the Company as the parent
Zibo Chengshun Hosiery Co., Ltd. (hereinafter referred to as "Chengshun Hosiery")	Wholly-owned subsidiary of the Company as the parent
Zibo Chengshun Economic and Trade Co., Ltd. (hereinafter referred to as "Chengshun Economic and Trade")	Wholly-owned subsidiary of the Company as the parent
Chengshun Petrochemical (Zhejiang Zhoushan) Co., Ltd. (hereinafter referred to as "Chengshun Petrochemical")	Wholly-owned subsidiary of the Company as the parent
Zibo Lucheng Petrochemical Sales Co., Ltd. (hereinafter referred to as "Lucheng Petrochemical")	Wholly-owned subsidiary of the Company as the parent
Shanghai Hengjiu Textile New Materials Co., Ltd. (hereinafter referred to as "Hengjiu Textile")	Wholly-owned subsidiary of the Company as the parent
Shandong Xirui New Material Co., Ltd. (hereinafter referred to as "Xirui New Material")	Wholly-owned subsidiary of the parent company's wholly-owned subsidiary
Zibo Lumei Economic and Trade Co., Ltd. (hereinafter referred to as "Lumei Economic and Trade")	Wholly-owned subsidiary of the Company as the parent
Ningbo Xiran Investment Co., Ltd. ("Ningbo Xiran")	Wholly-owned subsidiary of the Company as the parent

## 5. List of related-party transactions

### (1) Information on acquisition of goods and reception of labor service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Limin Purified Water	Recycled water, sewage treatment	13,016,170.41	19,400,000.00	Not	13,452,523.98
Lurui Fine Chemical	Auxiliaries	30,532,002.97	46,800,000.00	Not	51,716,798.45
Tung Hoi International	Auxiliaries	18,138,767.89	20,000,000.00	Not	
Chengshun Hosiery, Luqun Land	Paper core, hosiery, hosiery, electricity, etc.	3,511,793.11	5,458,333.33	Not	4,473,602.71
Chengshun Trading	Supermarket retail	781,733.59	1,880,000.00	Not	3,939,234.06
Lucheng Petrochemical	Oils	1,997,076.22	2,000,000.00	Not	1,993,157.77
Chengshun Petrochemical	Natural gas and oil products	25,248,021.93	39,375,000.00	Not	27,957,095.10
Xirui New Materials	Face masks			Not	150,069.91

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting period	Same period of last year
Chengshun Hosiery	Yarn, yarn-dyed fabric, etc.	211,763.04	519,500.49
Chengshun Hosiery	Materials, electricity, running water, heating, steam	128,111.06	154,962.88
Chengshun Trading	Materials, electricity, tap water, yarn, garments, food, heating, steam	61,083.89	50,822.62
Lucheng Petrochemical	Electricity, materials	6,733.58	7,266.40

Limin Purified Water	Materials, electricity, garments, lunch components services, food	2,764,696.42	2,647,392.88
Lurui Fine Chemical	Garments, fabrics, food	153,643.21	41,838.73
Lujia Property	Materials, garments	17,773.07	34,377.34
Xirui New Materials	Catering and accommodation service	9,917.94	
Xirui New Materials	Materials, garments, etc.	54,623.19	44,576.98
Luqun Property	Materials, garments	365,076.11	
Lumei Economic and Trade	Garments	63.72	

Notes

**(2) Information on related-party lease**

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in the current period	The lease income confirmed in the same period of last year
Chengshun Economic and Trade	Rent of houses and buildings	36,108.00	36,108.00
Chengshun Hosiery	Rent of houses and buildings	8,400.00	

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	Rental expense of simplified short-term leases and low-value asset leases (if applicable)		Variable lease payments that are not covered in the measurement of the lease liabilities (if applicable)		Rent payable		Interest expense on lease liabilities borne		Added right-of-use assets	
		Amount of the current period	Amount of the previous period	Amount of the current period	Amount of the previous period	Amount of the current period	Amount of the previous period	Amount of the current period	Amount of the previous period	Amount of the current period	Amount of the previous period
Lucheng Textile	Rent of land					1,807,428.60	1,807,428.60	561,567.29	618,066.67		
Lucheng Textile	Rent of gas station					116,571.42	116,571.42	53,613.54	56,468.65		
Lucheng Textile	Rent of buildings					5,511,143.30	5,511,143.30	962,595.71	1,144,374.63		
Luqun Property	Rent of land and buildings					985,714.26	985,714.26	568,899.59	587,802.00		

## 6. Accounts receivable and payable of related party

### (1) Accounts receivable

Unit: RMB

Item	Related party	Ending balance		Beginning balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Prepayments	Lurui Fine Chemical			197,267.31	

### (2) Accounts payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Lurui Fine Chemical	412,650.99	
Accounts payable	Tung Hoi International	2,950,527.17	976,966.23
Contract liability	Luqun Property	271,236.18	649,676.55

## XIII. Stock Payment

### 1. The overall situation of share-based payments

Applicable Not applicable

Unit: RMB

The total amount of equity instruments granted by the Company for the current period	0.00
The total amount of the Company's equity instruments exercised for the current period	9,898,500.00
The total amount of equity instruments of the Company losing efficacy for the current period	0.00
The range of exercise prices of stock options issued and outstanding at the end of the period of the Company and the remaining term of the contract	-
The range of exercise prices of other equity instruments issued at the end of the period of the Company and the remaining term of the contract	-

### 2. Equity-settled share-based payments

Applicable Not applicable

Unit: RMB

Methods for determining the fair value of equity instruments on the grant date	Difference between the market price of the stock and the grant price on the grant date
Basis for determining the number of feasible right equity instruments	Optimal estimation of expected feasible right in the future
Reasons for the significant discrepancy between the current period estimates and the previous estimates	N/A
Accumulated amount of equity-settled share-based payment included	79,311,785.83

in capital reserves	
The total amount of the expense recognized for the current period paid on equity-settled shares	11,010,319.17

### 3. Cash-settled share-based payments

Applicable  Not applicable

## XIV. Commitments and Contingency

### 1. Significant Commitments

Significant commitments on balance sheet date

(1) Capital commitments

Commitments signed but hasn't been recognized in financial statements	30 June 2023	31 December 2022
Commitment on constructing and purchasing long-lived assets (RMB'0,000)	30,305.38	50,131.58

### 2. Contingency

#### (1) Significant Contingency on Balance Sheet Date

As at 30 June 2023, there was no contingency such as pending lawsuits and external guarantees in the Company to disclose.

#### (2) Explanation shall be given even if there is no significant contingency for the Company to disclose

There was no significant contingency in the Company to disclose.

## XV. Notes of Main Items in the Financial Statements of the Company as the Parent

### 1. Accounts Receivable

#### (1) Listed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable	2,855,563.31	0.97%	2,855,563.31	100.00%		4,856,146.97	1.24%	4,856,146.97	100.00%	

withdra wal of Bad debt provisio n separatel y accrued										
Of which:										
Account s receivab le withdra wal of bad debt provisio n of by group	290,930, 481.12	99.03%	17,792,5 19.12	6.12%	273,137, 962.00	386,947, 247.21	98.76%	29,030,1 96.50	7.50%	357,917, 050.71
Of which:										
Undue accounts (credit insuranc e insured)	41,732,7 83.74	14.21%	438,194. 24	1.05%	41,294,5 89.50	45,947,6 51.98	11.73%	482,450. 35	1.05%	45,465,2 01.63
Undue accounts (no credit insuranc e)	219,947, 547.38	74.87%	10,997,3 77.38	5.00%	208,950, 170.00	272,913, 162.58	69.66%	13,645,6 58.14	5.00%	259,267, 504.44
Overdue accounts (credit insuranc e insured)	15,230,2 53.18	5.18%	2,391,14 9.75	15.70%	12,839,1 03.43	31,716,5 29.93	8.10%	4,979,49 5.20	15.70%	26,737,0 34.73
Overdue accounts (no credit insuranc e)	14,019,8 96.82	4.77%	3,965,79 7.75	28.29%	10,054,0 99.07	36,369,9 02.72	9.28%	9,922,59 2.81	27.28%	26,447,3 09.91
Total	293,786, 044.43	100.00%	20,648,0 82.43	7.03%	273,137, 962.00	391,803, 394.18	100.00%	33,886,3 43.47	8.65%	357,917, 050.71

Bad debt provision separately accrued: June 2023

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,807,080.87	2,807,080.87	100.00%	Customer's application



				for bankruptcy protection
Customer 2	48,482.44	48,482.44	100.00%	Customer in financial difficulty
<b>Total</b>	<b>2,855,563.31</b>	<b>2,855,563.31</b>		

Bad debt provision separately accrued: Y2022

Unit: RMB

Name	Ending balance			
	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,705,609.83	2,705,609.83	100.00%	Customer's application for bankruptcy protection
Customer 2	1,986,544.97	1,986,544.97	100.00%	Customer in financial difficulty
Customer 3	90,959.35	90,959.35	100.00%	Customer in financial difficulty
Customer 4	73,032.82	73,032.82	100.00%	Customer in financial difficulty
<b>Total</b>	<b>4,856,146.97</b>	<b>4,856,146.97</b>		

Withdrawal of bad debt provision by group: June 2023

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	41,732,783.74	438,194.24	1.05%
Group 2: Undue accounts (no credit insurance)	219,947,547.38	10,997,377.38	5.00%
Group 3: Overdue accounts (credit insurance insured)	15,230,253.18	2,391,149.75	15.70%
Group 4: Overdue accounts (no credit insurance)	14,019,896.82	3,965,797.75	28.29%
<b>Total</b>	<b>290,930,481.12</b>	<b>17,792,519.12</b>	

Notes:

Bad debt provision withdrawn by groups: Y2022

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	45,947,651.98	482,450.35	1.05%
Group 2: Undue accounts (no credit insurance)	272,913,162.58	13,645,658.14	5.00%
Group 3: Overdue accounts (credit insurance insured)	31,716,529.93	4,979,495.20	15.70%
Group 4: Overdue accounts (no credit insurance)	36,369,902.72	9,922,592.81	27.28%
<b>Total</b>	<b>386,947,247.21</b>	<b>29,030,196.50</b>	

Notes:

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	287,831,138.50
1 to 2 years	2,247,298.88
2 to 3 years	31,034.12
Over 3 years	3,676,572.93
3 to 4 years	2,800,273.41
4 to 5 years	566,100.60
Over 5 years	310,198.92
Total	293,786,044.43

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision	33,886,343.47	-13,238,163.27		97.77		20,648,082.43
Total	33,886,343.47	-13,238,163.27		97.77		20,648,082.43

## (3) Accounts Receivable Written-off in Current Period

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	97.77

## (4) Top 5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

Unit: RMB

Name of the entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
Aggregate amount of top 5 of accounts receivable of ending balance collected by arrears	103,294,017.09	35.16%	4,897,094.60

party			
Total	103,294,017.09	35.16%	

## 2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable	185,745,705.03	18,563,298.39
Other receivables	2,083,708,895.83	1,964,032,236.60
Total	2,269,454,600.86	1,982,595,534.99

### (1) Dividend Receivable

#### 1) Dividend Receivable Classification

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Fengshou Cotton	19,540,314.10	19,540,314.10
ZJ Textile	175,981,480.67	
Less: bad debt provision	-9,776,089.74	-977,015.71
Total	185,745,705.03	18,563,298.39

#### 2) Withdrawal of Bad Debt Provision

Applicable Not applicable

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	977,015.71			977,015.71
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	8,799,074.03			8,799,074.03
Balance of 30 June 2023	9,776,089.74			9,776,089.74

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable Not applicable

**(2)Other Receivables****1) Other receivables classified by category**

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	2,078,500,343.98	1,914,694,616.18
Export rebates		9,934,992.64
Payment on behalf	6,805,978.11	9,769,724.73
Guarantee deposit and cash deposit	2,829,693.46	3,278,418.46
Borrowings and petty cash	1,368,737.16	968,504.94
Other	2,153,164.28	35,155,692.70
<b>Total</b>	<b>2,091,657,916.99</b>	<b>1,973,801,949.65</b>

**2) Withdrawal of bad debt provision**

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2023	8,577,358.06	1,192,354.99		9,769,713.05
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	-1,804,402.91	-16,288.98		-1,820,691.89
Balance of 30 June 2023	6,772,955.15	1,176,066.01		7,949,021.16

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

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	1,856,188,216.78
1 to 2 years	151,060,529.29
2 to 3 years	81,093,588.73
Over 3 years	3,315,582.19
3 to 4 years	761,360.00
4 to 5 years	76,463.18

Over 5 years	2,477,759.01
Total	2,091,657,916.99

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

Unit: RMB

Name of entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables	Ending balance of bad debt provision
Customer 1	Intercourse funds	630,682,888.49	Within 1 year	30.15%	1,892,048.67
Customer 2	Intercourse funds	606,370,330.06	Within 1 year, 1 to 2 years and 2 to 3 years	28.99%	1,819,110.99
Customer 3	Intercourse funds	524,383,925.26	Within 1 year	25.07%	1,573,151.78
Customer 4	Intercourse funds	208,420,388.97	Within 1 year	9.96%	625,261.17
Customer 5	Intercourse funds	91,535,922.02	Within 1 year	4.38%	274,607.77
Total		2,061,393,454.80		98.55%	6,184,180.38

### 3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Investment to subsidiaries	3,107,135,666.50		3,107,135,666.50	2,885,254,556.40		2,885,254,556.40
Investment to joint ventures and associated enterprises	182,835,476.83		182,835,476.83	184,168,625.69		184,168,625.69
Total	3,289,971,143.33		3,289,971,143.33	3,069,423,182.09		3,069,423,182.09

#### (1) Investment to subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Withdrawal of impairment provision	Other		
Xinsheng Power	176,340,737.93					176,340,737.93	
Lufeng Company Limited	529,620,000.00					529,620,000.00	
Luqun Textile	171,784,550.00					171,784,550.00	

Luthai (Hong Kong)	128,771,800.00					128,771,800.00	
Shanghai Luthai	20,000,000.00					20,000,000.00	
Lu Thai (America)	10,209,050.00					10,209,050.00	
VACL	62,337,238.57					62,337,238.57	
ZJ Textile	409,118,889.90			409,118,889.90		0.00	
Lulian New Materials	300,000,000.00					300,000,000.00	
Lujia Import & Export	10,000,000.00					10,000,000.00	
Lu Thai Occupational Training School	100,000.00					100,000.00	
Shanghai Zhinuo	5,000.00					5,000.00	
Zhishu Consulting	2,000,000.00					2,000,000.00	
Huilin International	859,967,290.00	431,000,000.00				1,290,967,290.00	
Banyang Mountain Villa	5,000,000.00					5,000,000.00	
Yuanhui Fund	200,000,000.00	200,000,000.00				400,000,000.00	
<b>Total</b>	<b>2,885,254,556.40</b>	<b>631,000,000.00</b>		<b>409,118,889.90</b>		<b>3,107,135,666.50</b>	

**(2) Investment to joint ventures and associated enterprises**

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Change of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											
Haohong Investment	60,547,749.28	0.00	0.00	-351,268.49			0.00			60,196,480.79	
Haoying Investment	123,620,876.41	0.00	0.00	-981,880.37			0.00			122,638,996.04	
Subtotal	184,168,625.69	0.00		-1,333,148.86			0.00			182,835,476.83	
Total	184,168,625.69	0.00		-1,333,148.86			0.00			182,835,476.83	

#### 4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Amount of the current period		Amount of the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	1,487,391,745.52	1,187,994,259.75	1,923,502,455.26	1,403,671,534.86
Others	122,518,076.91	89,037,564.87	173,226,541.52	151,163,312.87
Total	1,609,909,822.43	1,277,031,824.62	2,096,728,996.78	1,554,834,847.73

Information about performance obligations: None

Information in relation to the transaction price apportioned to the residual contract performance obligation:

As at the end of the Reporting Period, the revenue amount corresponding to the contract performance obligation yet to be fulfilled or yet to be completed under a signed contract is RMB 0.00, including RMB 0.00 expected to be recognized as revenue in the year, RMB 0.00 expected to be recognized as revenue in the year, and RMB 0.00 expected to be recognized as revenue in the year.

#### 5. Investment Income

Unit: RMB

Item	Amount of the current period	Amount of the previous period
Long-term equity investment income accounted by cost method	167,571,836.72	219,600,542.74
Long-term equity investment income accounted by equity method	-1,333,148.86	-1,076,939.49
Investment income from disposal of long-term equity investment	22,374,515.10	
Investment income from disposal of trading financial assets	31,150,766.58	1,682,000.00
Total	219,763,969.54	220,205,603.25

### XVI. Supplementary Materials

#### 1. Items and Amounts of Non-recurring Profit or Loss

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of non-current assets (inclusive of impairment allowance write-offs)	-86,455.19	
Government grants recorded in the current profit or loss (except for those acquired in the ordinary course of company's business, in line with national policies and regulations, or granted continuously according to certain standard quotas or amounts)	27,808,339.07	
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities as well as financial assets available for sale, other than valid hedging related to the Company's common businesses	5,660,105.05	

Reversal of provision for impairment of receivables separately tested for impairment	2,281,937.13	
Other non-operating income and expense other than the above	1,448,586.39	
Less: Income tax effects	6,932,483.87	
Non-controlling interests effects	341,892.37	
Total	29,838,136.21	--

Details of other profit and loss items in line with the definition of non-recurring gains and losses:

Applicable  Not applicable

There are no other profit and loss items in line with the definition of non-recurring gains and losses in the Company.

Note to define the non-recurring profit and loss items listed in the *Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses* as recurring profit and loss items.

Applicable  Not applicable

## 2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	2.42%	0.26	0.23
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	2.10%	0.22	0.21

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

19 August 2023