



**LU THAI TEXTILE CO., LTD.**  
**ANNUAL REPORT 2023**

**April 2024**

# ANNUAL REPORT 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 has described in detail in this Report the possible risks. Please refer to the contents about the major risks and countermeasures in “Prospects” in “Part III Management Discussion and Analysis” of this Report. Securities Times, Shanghai Securities News, China Securities Journal, Ta Kung Pao (HK) and [www.cninfo.com.cn](http://www.cninfo.com.cn) have been designated by the Company for its information disclosure in 2024. And all information about the Company shall be subject to what’s disclosed by the Company on the aforesaid media. Investors are kindly reminded to exercise caution when making investment decisions.

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

In 2023, global geopolitical tensions intensified, with frequent local conflicts and disturbances. The world economy struggled to gain momentum and suffered from slow recovery, with major developed economies experiencing high inflation and declining demand. The exacerbating fragmentation of the global economy in turn hindered the development of global trade. Facing a complex and severe international environment and slow recovery in consumer market demand, central and local governments at all levels continuously introduced and implemented policies to "stabilise foreign trade", leading to a rebound in the national economy and an annual economic growth of 5.2%. The textile and apparel foreign trade industry and enterprises, building on their industrial advantages, actively expanded into emerging markets, with their export business overall showing a trend of stabilising and improving quarter by quarter. Looking forward to 2024, the external environment remains severe and complex, with the global geopolitical landscape continuing to be impacted. With the ongoing stabilisation and improvement of China's economy, the textile industry stands to benefit from leveraging the advantages inherent in China's comprehensive textile and apparel industrial chain, as well as its stable supply chain. Domestically, the industry can enhance its quality and efficiency through advancements in digital and intelligent transformation, while simultaneously undertaking a green and low-carbon transition. Internationally, strategic

**global industrial layout and seamless supply chain integration will enable the industry to actively address the diversification of the global consumer market, thereby achieving high-quality development. For details, please refer to Part III Management Discussion and Analysis.**

**The Board has approved a final dividend plan as follows: based on the share capital of 817,431,206 shares (exclusive of repurchased and retired B-shares), a cash dividend of RMB1.30 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.**

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

## 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>7</b>
<b>Part III Management Discussion and Analysis.....</b>	<b>11</b>
<b>Part IV Corporate Governance.....</b>	<b>36</b>
<b>Part V Environmental and Social Responsibility.....</b>	<b>64</b>
<b>Part VI Significant Events.....</b>	<b>68</b>
<b>Part VII Share Changes and Shareholder Information.....</b>	<b>77</b>
<b>Part VIII Preferred Shares.....</b>	<b>87</b>
<b>Part IX Bonds.....</b>	<b>88</b>
<b>Part X Financial Statements.....</b>	<b>92</b>

## **Documents Available for Reference**

1. The financial statements signed and stamped by the Company's legal representative, Chief Accountant and Financial Manager;
2. The original Independent Auditor's Report stamped by the CPA firm, as well as signed and stamped by the relevant certified public accountants; and
3. 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 31 December 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.	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	LTTC		
Legal representative	Liu Zibin		
Registered address	61 Luthai Boulevard, High-tech Development Zone, Zibo City, Shandong Province, P.R.China		
Zip code	255086		
Past changes of registered address	11 Mingbo Road, Zibo High-tech Development Zone, Shandong Province		
Office address	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China		
Zip code	255100		
Company website	www.lttc.com.cn		
Email address	lttc@lttc.com.cn		

### II Contact Information

	Board Secretary	Securities Representative
Name	Zhang Keming	Zheng Weiyin and Li Kun
Address	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China	81 Songling East Road, Zichuan District, Zibo City, Shandong Province, P.R.China
Tel.	0533-5277008	0533-5285166
Fax	0533-5418805	0533-5418805
Email address	zhangkeming@lttc.com.cn	wyzheng@lttc.com.cn, likun@lttc.com.cn

### III Media for Information Disclosure and Place where this Report Is Lodged

Stock exchange website where this Report is disclosed	The Shenzhen Stock Exchange: <a href="http://www.szse.cn">http://www.szse.cn</a>
Media and website where this Report is disclosed	Securities Times, Shanghai Securities News, China Securities Journal, Ta Kung Pao (HK), and <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Place where this Report is lodged	The Securities Department of the Company

### IV Change to Company Registered Information

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

incorporation (if any)	
------------------------	--

## V Other Information

The independent audit firm hired by the Company:

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

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

Applicable  Not applicable

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

Applicable  Not applicable

## VI Key Financial Information

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

Yes  No

	2023	2022	2023-over-2022 change (%)	2021
Operating revenue (RMB)	5,961,477,252.98	6,938,342,135.90	-14.08%	5,238,262,348.85
Net profit attributable to the listed company's shareholders (RMB)	403,444,254.42	963,864,819.43	-58.14%	347,609,693.30
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	386,135,437.00	795,473,953.21	-51.46%	190,492,580.40
Net cash generated from/used in operating activities (RMB)	854,864,537.42	1,422,310,774.26	-39.90%	348,137,005.48
Basic earnings per share (RMB/share)	0.47	1.10	-57.27%	0.39
Diluted earnings per share (RMB/share)	0.42	0.95	-55.79%	0.36
Weighted average return on equity (%)	4.40%	11.31%	-6.91%	4.44%
	31 December 2023	31 December 2022	Change of 31 December 2023 over 31 December 2022 (%)	31 December 2021
Total assets (RMB)	13,430,286,222.94	13,351,097,602.03	0.59%	12,987,221,271.63
Equity attributable to the listed company's shareholders (RMB)	9,230,806,905.80	9,014,156,872.71	2.40%	7,983,307,400.03

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

Yes  No

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



Yes  No

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

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

Applicable  Not applicable

No difference for the Reporting Period.

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

Applicable  Not applicable

No difference for the Reporting Period.

## VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,378,301,160.57	1,462,190,101.90	1,502,888,352.91	1,618,097,637.60
Net profit attributable to the listed company's shareholders	95,759,162.05	125,888,836.10	113,464,972.86	68,331,283.41
Net profit attributable to the listed company's shareholders before exceptional gains and losses	51,332,367.74	140,477,494.20	110,981,395.05	83,344,180.01
Net cash generated from/used in operating activities	-36,789,172.94	185,399,389.92	12,047,210.33	694,207,110.11

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

Yes  No

## IX Exceptional Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	2023	2022	2021	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-9,741,769.37	-228,367.44	50,868,019.96	
Government grants recognised in profit or loss (exclusive of those that are closely related to the Company's normal business operations and given in accordance with defined criteria and in compliance with government policies, and have a continuing impact on the Company's profit or loss)	45,294,185.95	50,298,092.20	58,686,874.90	
Gain or loss on fair-value changes in financial assets and liabilities held by a non-financial enterprise, as well as on disposal of financial assets and liabilities (exclusive of the effective portion of hedges that is related to the	-18,190,072.86	154,877,757.70	77,620,424.02	

Company's normal business operations)				
Reversed portions of impairment allowances for receivables which are tested individually for impairment	163,992.17		6,198,745.44	
Non-operating income and expense other than the above	4,819,447.10	-1,810,393.39	-1,700,653.34	
Less: Income tax effects	4,629,001.56	33,015,346.77	28,885,946.87	
Non-controlling interests effects (net of tax)	407,964.01	1,730,876.08	5,670,351.21	
Total	17,308,817.42	168,390,866.22	157,117,112.90	--

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

Applicable  Not applicable

No such cases for the Reporting Period.

Explanation of why the Company reclassifies as recurrent an exceptional gain/loss item listed in the Explanatory Announcement

No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gain/Loss Items:

Applicable  Not applicable

No such cases for the Reporting Period.

## Part III Management Discussion and Analysis

### I Industry Overview for the Reporting Period

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

In 2023, Chinese textile and apparel export enterprises faced the dual pressures of order reduction and order transfer. On one hand, the decline in demand from key markets, changes in the international trade landscape, and exchange fluctuation put continuous pressure on the textile and apparel trade, leading to an overall decline in China's textile and apparel export value for the year. According to data released by the China Customs Express, the total export volume of the domestic textiles and apparel reached USD293.64 billion in 2023, representing a year-on-year decrease of 8.1%. On the other hand, looking at the trend for the whole year, influenced by positive factors such as the continuous digestion of inventory in overseas markets and some recovery in demand in the second half of the year, the production and trade of textiles and apparel in China showed signs of recovery in the latter half of 2023, with the export situation stabilising and improving.

The current international political and economic environment is intricately complex. Under the effects of tightened monetary policies in major developed economies, global economic and trade activities face challenges, and the pressure to improve market demand remains significant. Nevertheless, the domestic economy exhibits remarkable resilience. Within the framework of China's ongoing enhancement of the domestic market environment, the textile industry continues to find opportunities in the construction of a modernised industrial system characterised by high-end capabilities, intelligence, environmental sustainability, and integration. This undertaking will serve as a pivotal driving force propelling the textile industry towards high-quality development. At the same time, China continues to promote the joint construction of the "Belt and Road" initiative and the development of high-standard free trade zones, providing favourable conditions for the textile industry to further explore diversified international markets and build an internationalised supply chain system. This is also beneficial for preventing and mitigating external risk impacts.

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

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

In 2023, global geopolitical tensions intensified, with frequent local conflicts and disturbances. The world economy struggled to gain momentum, with major developed economies experiencing high inflation and declining demand. Textile industry enterprises faced multiple challenges, including changes in the international trade landscape, regional conflicts, and exchange fluctuation. The Company steadfastly adhered to a "customer-focused" philosophy, consolidating its position in the domestic market while concurrently expanding into overseas markets. Continuously executing the strategies of "Improving Quality and Efficiency" and "Overall Internationalization", the Company intensified its efforts in "expanding market, adjusting structure and building capabilities". From the progress of projects to the steady operations of overseas production bases, and from the research and development of new products to the exploration of new markets, the Company remained dedicated to high-quality development and disciplined management practices. This unwavering commitment enabled the Company to deliver exceptional products and services to both domestic and international customers.

For the Reporting Period, the Company achieved operating revenue of RMB5,961 million, operating profit of RMB433 million, a net profit attributable to the Company as the parent of RMB403 million, and a net profit attributable to the Company as the parent before exceptional gains and losses of RMB386 million, respectively down 14.08%, 59.99%, 58.14% and 51.46% when compared to last year. No changes occurred to the Company's principal operations, primary products, business models, or the primary factors driving

the Company's growth in the Reporting Period.

During the Reporting Period, the Company was successively selected as the "Chinese Textile and Apparel Brand of 2023 with Competitive Edge" by the China National Textile and Apparel Council, named as an "Enterprise with Outstanding Contribution to Technological Advancement" by the China Cotton Textile Industry Association, and awarded by the Shandong Textile and Apparel Association the "Social Responsibility Contribution Award", among other honours. The Company mainly focused on the following aspects:

(I) Enhance customer relations in an all-around way to improve the business quality and operational performance.

During the Reporting Period, the Company strengthened communication with customers, enhanced customer relationship management, actively expanded into new markets and new customers, gradually established an integrated sales model, and continuously improved integrated service capabilities. It deepened the execution of the big customer strategy and focused intensively on the business apparel market; accurately grasped customer needs, optimised marketing strategies, made full use of digital product platforms, and provided customers with "one-stop" solutions; leveraged the office's role at the forefront of the market, strengthened the construction of overseas marketing teams; set foot on research and innovation, enhanced key technology and process research, added female apparel, printed products, and new materials categories, offering customers products and services with greater commercial value.

(II) Deepen the implementation of two major strategies to enhance delivery capability and operational efficiency.

During the Reporting Period, centred on production lines, the Company profoundly advanced two major strategies, and continuously enhanced delivery capability and operational efficiency. The Company established an overseas operation management centre, continuously enhancing the operational management of overseas production bases. The production capacity of domestic functional fabric, multi-category apparel manufacturing, and other projects continued to be released. Each production line continuously strengthened its operating awareness, focused on business strategic goals, bolstered overall planning ability, and constantly met customers' differentiated needs. Each production line played a significant role in responsibility, continuously enhanced the management of the product realisation process, ensuring market, research and development, marketing, manufacturing, procurement, and delivery were synchronised, supporting the Company's high-quality development.

(III) Fully enhance systematic management to improve business support and operational capability.

During the Reporting Period, the Company focused on its core operations, fully enhanced its systematic management capability, strengthened professional support, and provided management support and service guarantees. Centred on the integration of business and finance, it deepened comprehensive budget management, continuously advanced organisational optimisation, process optimisation, and IT support, and strengthened performance management. It ensured resource allocation, accelerated the building of an international talent team, improved the training and management mechanisms for key positions, optimised incentive mechanisms, and invigorated the organisation. The Company initiated a project to enhance corporate culture, systematically organising, refining, and upgrading.

(IV) Continue to enhance innovation capability to consolidate and expand competitive advantages

During the Reporting Period, the Company successfully passed the re-certification of a National High-tech Enterprise and passed the annual assessment and performance evaluation of innovative platforms such as the national enterprise technical centre, Shandong Province Big Data Industry Innovation Centre, Shandong Provincial Engineering Technology Research Centre, and Shandong Province Key Laboratory of Enterprises. It won one first prize for Scientific and Technological Progress from the China National Textile and Apparel Council, three "Top Ten Innovative Products" awards, received authorisation for 69 patents, including 53 invention patents, participated in the formulation or revision of five industry standards, obtained one software copyright, and undertook one key R&D project of Shandong Province in 2023.

### **III Core Competitiveness Analysis**

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

integrating spinning, bleaching and dyeing, neatening, testing, and garment making, as well as excellent quality control capabilities through various links of the production of high-end yarn-dyed fabrics. In order to leverage international resources, give play to the advantage of internationalized industrial distribution and reinforce the leading international status in manufacturing the yarn-dyed fabrics for shirts, the Company has 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 and joint product development with various research institutes, colleges and universities, strategic clients and important suppliers by relying on various technical platforms including the national enterprise technical centre, the national industrial design centre, the national demonstration base for introducing talents, the national post-doctoral scientific research station and Shandong Provincial Engineering Technology Research Centre. Emphasising both cutting-edge technological reserves and the innovation of applied technologies, the Company continuously strengthens the development of new products oriented towards realizing commercial value. Gradually enhancing its capability in technological research and integrated product development, the Company continually contributes more green, low-carbon, and sustainable new technologies and high-quality products to the industry, creating more value for customers and materialising low-carbon, green, and sustainable development.

## IV Core Business Analysis

### 1. Overview

For the Reporting Period, the Company recorded operating revenue of RMB5,961 million (a 14.08% year-on-year decrease); cost of sales of RMB4,591 million (a 10.92% year-on-year decrease), selling expense of RMB148 million (an 8.42% year-on-year increase) and administrative expense of RMB382 million (a 3.53% year-on-year decrease); research and development expense of RMB240 million (a 13.26% year-on-year decrease); and net cash generated from operating activities of RMB855 million (a 39.90% year-on-year decrease).

### 2. Revenue and Cost Analysis

#### (1) Breakdown of Operating Revenue

Unit: RMB

	2023		2022		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	5,961,477,252.98	100%	6,938,342,135.90	100%	-14.08%
By operating division					
Textile and apparel	5,554,873,179.03	93.18%	6,500,959,077.16	93.70%	-14.55%

Electricity and steam	214,716,930.11	3.60%	219,789,458.76	3.16%	-2.31%
Others	191,887,143.84	3.22%	217,593,599.98	3.14%	-11.81%
<b>By product category</b>					
Fabric products	4,224,792,352.66	70.87%	5,141,344,925.82	74.10%	-17.83%
Apparel	1,330,080,826.37	22.31%	1,359,614,151.34	19.60%	-2.17%
Electricity and steam	214,716,930.11	3.60%	219,789,458.76	3.16%	-2.31%
Others	191,887,143.84	3.22%	217,593,599.98	3.14%	-11.81%
<b>By operating segment</b>					
Japan And South Korea	363,082,297.41	6.09%	334,445,869.70	4.82%	8.56%
Southeast Asia	1,691,776,529.18	28.38%	2,356,718,298.83	33.96%	-28.21%
Europe and America	933,632,800.12	15.66%	1,199,472,122.97	17.29%	-22.16%
Others	639,996,479.08	10.74%	729,808,402.63	10.52%	-12.31%
Mainland China	2,332,989,147.19	39.13%	2,317,897,441.77	33.41%	0.65%
<b>By sales model</b>					
Direct sales	5,961,477,252.98	100.00%	6,938,342,135.90	100.00%	-14.08%

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

Applicable  Not applicable

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

Yes  No

Operating division	Item	Unit	2023	2022	Change (%)
Fabric	Unit sales	0,000 meters	18,092.94	22,580.48	-19.87%
	Output	0,000 meters	20,230.04	23,634.84	-14.41%
	Inventory	0,000 meters	4,036.91	3,763.43	7.27%
Apparel	Unit sales	0,000 pieces	1,960.07	1,889.22	3.75%
	Output	0,000 pieces	2,006.98	1,872.64	7.17%
	Inventory	0,000 pieces	201.98	138.76	45.56%
Electricity	Unit sales	000 KWH	173,716.42	153,637.52	13.07%
	Output	000 KWH	406,726.09	414,202.18	-1.80%
	Inventory	000 KWH			
Steam	Unit sales	Ton	268,048.41	310,410.00	-13.65%
	Output	Ton	1,041,382.00	1,198,469.45	-13.11%
	Inventory	Ton			

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

Applicable  Not applicable

Apparel inventory increased 45.56% year-on-year, mainly due to the increase in orders from new customers at the end of 2023, which have not yet been shipped.

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

Applicable  Not applicable

**(5) Breakdown of Cost of Sales**

By operating division and product category

Unit: RMB

Operating division	Item	2023		2022		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Textile and apparel	Cost of sales	4,208,891,944.15	91.67%	4,689,861,379.28	90.99%	-10.26%
Electricity and steam	Cost of sales	228,107,386.45	4.97%	290,205,024.76	5.63%	-21.40%
Other	Cost of sales	154,389,584.80	3.36%	174,301,192.86	3.38%	-11.42%

Unit: RMB

Product category	Item	2023		2022		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Fabric products	Cost of sales	3,219,884,044.35	70.13%	3,698,671,468.56	71.76%	-12.94%
Apparel	Cost of sales	989,007,899.80	21.54%	991,189,910.72	19.23%	-0.22%
Electricity and steam	Cost of sales	228,107,386.45	4.97%	290,205,024.76	5.63%	-21.40%
Other	Cost of sales	154,389,584.80	3.36%	174,301,192.86	3.38%	-11.42%

Note:

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2023	48.13%	17.66%	7.10%	17.59%	9.52%	100.00%
	2022	49.52%	17.01%	6.50%	17.44%	9.53%	100.00%
Apparel	2023	59.65%	26.22%	2.42%	1.13%	10.58%	100.00%
	2022	62.67%	26.46%	1.90%	1.08%	7.89%	100.00%

**(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period** Yes  No**(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period** Applicable  Not applicable**(8) Major Customers and Suppliers**

Major customers:

Total sales to top five customers (RMB)	1,054,114,678.79
Total sales to top five customers as % of total sales of the Reporting Period (%)	17.68%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
Total	--	1,054,114,678.79	17.68%

Other information about major customers:

Applicable  Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	688,378,062.07
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	15.79%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
Total	--	688,378,062.07	15.79%

Other information about major suppliers:

Applicable  Not applicable

### 3. Expense

Unit: RMB

	2023	2022	Change (%)	Reason for any significant change
Selling expense	148,454,814.21	136,929,096.72	8.42%	
Administrative expense	382,327,532.79	396,309,634.39	-3.53%	
Finance costs	5,448,844.47	-148,951,129.67	103.66%	Decreased net exchange gain
R&D expense	239,775,343.18	276,424,812.26	-13.26%	

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

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.

#### (1) Capacity

The Company's own capacity

Industry Classification	Item	2023	2022
Fabric	Total capacity (fabric) (10,000 meters)	29,745.00	29,430.00
	Rate of capacity utilization	74%	80%



	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.
Apparel	Total capacity (apparel) (10,000 pieces)	2,230.00	2,030.00
	Rate of capacity utilization	84%	88%
	Plants under construction		

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

Yes  No

Overseas capacity

Yes  No

Industry Classification	Item	Domestic	Overseas
Fabric	Percentage of capacity	80%	20%
	Capacity layout	Mainly in Shandong Province	Mainly in Vietnam
	Rate of capacity utilization	73%	81%
Apparel	Percentage of capacity	40%	60%
	Capacity layout	Mainly in Shandong Province	Mainly in Vietnam, Cambodia, and Myanmar
	Rate of capacity utilization	81%	86%

The Company's expansion plan on developing overseas production capacity

The Company is investing in the construction of overseas production bases, which are now in trial production.

## (2) Sales model and channels

Product sales channels and operation methods

### a. Sales model

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

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

### b. Sales channels

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

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

Unit: RMB

Sales channels	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue	YoY change in cost of sales	YoY change in gross profit margin
Online sales	3,326,275.46	1,490,476.55	55.19%	2.49%	20.81%	-6.79%
Direct sales	4,235,586,777.85	3,222,625,639.20	23.92%	-17.73%	-12.91%	-4.20%
OEM/ODM	1,315,960,125.72	984,775,828.40	25.17%	-2.47%	-0.35%	-1.60%
Total	5,554,873,179.03	4,208,891,944.15	24.23%	-14.55%	-10.26%	-3.63%

### (3) Franchise and distribution

Franchisees and distributors recorded more than 30% of sales revenue

Yes  No

### (4) Online sales

Online sales recorded more than 30% of sales revenue

Yes  No

Self-developed sales platforms

Yes  No

Start of operation	30 March 2009
Number of registered users	150,000
Average number of active monthly users (AMU)	3,000
Return rate of main brands	2.20%
Return rate of main types	2.20%

Cooperation with third-party sales platforms

Yes  No

Online sales channels opened or closed by the Company

Applicable  Not applicable

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

Not applicable.

**(5) Agency operation model**

Agency operation model involved

Yes  No

**(6) Inventory**

Inventory

Main products	Days of turnover of inventories	Quantity of inventory	Inventory age	Year-on-year change in inventory balance	Reason
Fabric (10,000 meters)	85	3,385.123	Within 1 year	10.18%	
Fabric (10,000 meters)		651.784	Over 1 year	-5.69%	
Shirts (10,000 pieces)	27	118.039	Within 1 year	21.43%	
Shirts (10,000 pieces)		17.649	Over 1 year	-3.19%	

Inventory valuation allowances:

Item	2023.12.31		
	Gross amount	Valuation allowance or provision for impairment on contract performance cost	Carrying amount
Raw materials	961,742,257.63	48,846,493.37	912,895,764.26
Goods in process	504,407,562.92	11,183,192.80	493,224,370.12
Products on hand	886,717,966.10	181,209,030.54	705,508,935.56
Commissioned materials	12,510,504.76		12,510,504.76
Total	2,365,378,291.41	241,238,716.71	2,124,139,574.70

**(7) Brand building**

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

Yes  No

Self-owned brands:

Brand name	Trademark name	Main product types	Characterist	Target consumer	Price zone of main products	Main sales areas	City levels
------------	----------------	--------------------	--------------	-----------------	-----------------------------	------------------	-------------

			ics	group			
LTGRFF	LTGRFF	Shirts and suits	Classi c busine ss attire	Business people	RMB500-3000	East China, South China and Southwest China	Provincial capital cities and other prefecture- level cities

Trademark ownership disputes

Applicable  Not applicable

## (8) Other information

Engaged in business related to apparel design

Yes  No

Whether the Company held meetings for the placement of orders

Yes  No

## 5. R&D Investments

Applicable  Not applicable

Names of main R&D projects	Goals of projects	Progresses of projects	Intended goals	Estimated impact on future development of the Company
Research and development of key technology for functional dyed fabrics with wet cross-linking ironing-free finishing.	This project is aimed to conduct iterative upgrading of existing ironing-free fabric processing technology, enhance fabric quality and meet customer needs.	Cotton/lyocell blend super ironing-free fabric and high ironing-free post-baking fabric have completed trial weaving attestation; High thread count high ironing-free fabric, eco ironing-free fabric, functional finishing ironing-free fabric, and high whiteness ironing-free fabric have received buck orders.	The Company aims to achieve high ironing-free stability of grade 3.8 with its cotton/lyocell super ironing-free fabric and all-cotton, polyester-cotton series; and targets attaining ironing-free stability of grade 3.5 or higher with its ECO-F!t, formaldehyde-free, and other eco ironing-free fabrics, as well as functional ironing-free fabrics.	This project is expected to enhance the performance quality of the Company's flagship products and strengthen core competitiveness.
Research and development of multi-component cool-feel, moisture-absorbing, low-carbon ecological dyeing and finishing technology for textiles.	This project is aimed to actively explore new technologies for green dyeing and finishing processing and reduce environmental pollution.	Ultrasonic and spray technologies have successfully undergone experimental attestation and are now advancing into the equipment modification and procurement phase, supported by the generation of feasibility study reports. Concurrently, attestation processes are underway for ozone treatment and other technologies.	The Company aims to research more than five green ecological finishing technologies.	This project is expected to maintain the Company's leading technological level in the industry, and lead the industry development.
Research and development of efficient,	This project is aimed to use special processes and environmentally	Recycled fibre has completed preparation and process optimisation, outputted	The Company aims to develop four-way stretch fabrics, where the fabric's warp elasticity	This project is expected to meet customer needs

energy-saving, stretch core-spun yarn, using recycled fibre preparation technology.	friendly materials to produce efficient, energy-saving, environmentally friendly products that align with market consumption concepts and lead market trends.	different varieties with different setting temperatures to improve elasticity stability.	reaches 12.5% and above, and reduce warp direction colour difference and bubbling to improve the reproducibility of trial weaving for bulk goods.	and expand market share.
Research on key technologies and complete equipment systems for polyester fabric spot dyeing without water washing.	This project is aimed to save energy and reduce consumption, reduce carbon emissions, and give the product a unique style with huge market potential and broad prospects.	The transformation of newly purchased related machinery and equipment has been completed, and the polyester-related dyeing technology has been optimised, enabling mass production.	This type of order continues to grow into a new core product.	This project is expected to enhance the Company's dyeing technology level, enrich the Company's variety of casual wear fabrics, and strengthen the Company's competitiveness.

Details about R&D personnel:

	2023	2022	Change (%)
Number of R&D personnel	1,396	1,474	-5.29%
R&D personnel as % of total employees	13.26%	13.17%	0.09%
Educational background of R&D personnel			
Bachelor's degree	196	200	-2.00%
Master's degree	28	29	-3.45%
Age structure of R&D personnel			
Below 30	166	184	-9.78%
30~40	847	964	-12.14%
Above 40	383	326	17.48%

Details about R&D investments:

	2023	2022	Change (%)
R&D investments (RMB)	239,775,343.18	276,424,812.26	-13.26%
R&D investments as % of operating revenue	4.02%	3.98%	0.04%
Capitalized R&D investments (RMB)	0.00	0.00	0.00%
Capitalized R&D investments as % of total R&D investments	0.00%	0.00%	0.00%

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 6. Cash Flows

Unit: RMB

Item	2023	2022	Change (%)
Subtotal of cash generated from	5,733,287,497.87	7,218,619,463.98	-20.58%

operating activities			
Subtotal of cash used in operating activities	4,878,422,960.45	5,796,308,689.72	-15.84%
Net cash generated from/used in operating activities	854,864,537.42	1,422,310,774.26	-39.90%
Subtotal of cash generated from investing activities	9,682,671,841.39	264,146,692.28	3,565.64%
Subtotal of cash used in investing activities	10,635,911,372.48	981,802,690.70	983.30%
Net cash generated from/used in investing activities	-953,239,531.09	-717,655,998.42	-32.83%
Subtotal of cash generated from financing activities	1,289,724,006.83	1,345,521,524.75	-4.15%
Subtotal of cash used in financing activities	1,677,384,015.94	2,340,048,516.23	-28.32%
Net cash generated from/used in financing activities	-387,660,009.11	-994,526,991.48	61.02%
Net increase in cash and cash equivalents	-469,281,964.23	-147,109,614.73	-219.00%

Explanation of why any of the data above varies significantly:

Applicable  Not applicable

During the Reporting Period, net cash generated from operating activities decreased 39.90% year on year, primarily driven by the decreased cash received from sale of goods; subtotal of cash generated from investing activities increased 3565.64% year on year, primarily driven by the increase in withdrawn wealth management investments; subtotal of cash used in investing activities increased 983.30% year on year, primarily driven by the increased payments to acquire wealth management investments; net cash generated from investing activities decreased 32.83% year on year, primarily driven by the increased investment in the overseas high-end fabric production line project; net cash generated from financing activities increased 61.02% year on year, primarily driven by the decreased debt repayments; and net increase in cash and cash equivalents decreased 219.00% year on year, primarily driven by the decreased net cash generated from operating activities.

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

Applicable  Not applicable

## V Analysis of Non-Core Businesses

Applicable  Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Recurrent or not
Return on investment	39,364,608.46	9.00%	Return on held-for-trading financial assets	Not
Gain/loss on changes in fair value	-65,020,725.14	-14.87%	Loss on changes in fair value of held-for-trading financial assets and liabilities	Not
Asset impairments	-105,876,786.52	-24.22%	Inventory valuation allowances	Not
Non-operating income	9,347,696.19	2.14%	Income of non-operating compensation, etc	Not
Non-operating expense	5,146,681.99	1.18%	Loss on destruction and retirement of non-operating non-current assets, etc.	Not

## VI Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2023		1 January 2023		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	1,558,252,048.03	11.60%	2,067,768,253.97	15.49%	-3.89%	
Accounts receivable	826,467,684.78	6.15%	660,427,526.19	4.95%	1.20%	
Inventories	2,124,139,574.70	15.82%	2,107,849,708.33	15.79%	0.03%	
Investment property	19,578,175.93	0.15%	20,460,935.21	0.15%	0.00%	
Long-term equity investments	143,537,479.77	1.07%	184,168,625.69	1.38%	-0.31%	
Fixed assets	5,597,692,505.07	41.68%	5,807,847,850.67	43.50%	-1.82%	
Construction in progress	868,496,878.41	6.47%	199,943,501.73	1.50%	4.97%	
Right-of-use assets	463,226,419.21	3.45%	481,420,505.31	3.61%	-0.16%	
Short-term borrowings	580,704,772.27	4.32%	518,946,415.96	3.89%	0.43%	
Contract liabilities	188,073,335.89	1.40%	206,879,672.53	1.55%	-0.15%	
Long-term borrowings	259,992,974.40	1.94%	186,431,096.24	1.40%	0.54%	
Lease liabilities	86,580,224.41	0.64%	98,501,303.83	0.74%	-0.10%	

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

Applicable  Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk (yes/no)
Hong Kong company	Incorporated	226,227,839.34	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	14,786,998.49	2.35%	No
American company	Incorporated	1,048,422.90	New York	Marketing	Main management personnel sent by the Company as the parent	-607,861.01	0.01%	No
Overseas production bases	Incorporated	4,395,349,636.55	Southeast Asia	Manufacturing	Main management personnel sent by the Company as the parent	129,414,556.53	45.70%	No

### 2. Assets and Liabilities at Fair Value

Applicable  Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
<b>Financial assets</b>								
1. Held-for-trading financial assets (excluding derivative financial assets)	239,522,650.65	-1,222,946.07			9,871,689,747.48	9,644,480,208.20	248,030,000.00	713,539,243.86
2. Derivative financial assets	28,172,508.83	-20,958,877.30			7,521,532.36	4,565,888.86		10,261,031.53
5. Other non-current financial assets	337,110,000.00	-330,000.00					-248,030,000.00	88,750,000.00
Subtotal of financial assets	604,805,159.48	-22,511,823.37			9,879,211,279.84	9,649,046,097.06		812,550,275.39
Others	11,208,304.78		-88,118.79				7,128,019.77	18,248,205.76
Total of the above	616,013,464.26	-22,511,823.37	-88,118.79		9,879,211,279.84	9,649,046,097.06	7,128,019.77	830,798,481.15
Financial liabilities	4,276,929.70	-42,508,901.77			4,645,000.00	4,645,000.00		46,785,831.47

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**3. Restricted Asset Rights as at the Period-End**

For details, see Part X. VII. 22. 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	Beginning 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 amount	Proportion of closing investment amount in the Company's ending net assets
Foreign exchange option	256,788.86	148,156.5	-2,398.55	0	108,632.36	200,388.86	56,400	6.11%
Total	256,788.86	148,156.5	-2,398.55	0	108,632.36	200,388.86	56,400	6.11%
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the Reporting Period compared to the previous Reporting Period	No significant changes							
Actual gain/loss in the Reporting Period	1. As of 31 December 2023, the Company held 11 undue financial derivatives contracts, totaling USD94 million, all of which were forex option contracts. 2. From January to December 2023, the total amount of all due financial derivatives of the Company was equivalent to USD298 million which were all implemented based on contracts. All these financial derivatives were forex option contracts, of which USD166 million was settled while USD132 million did not meet settlement conditions, generating gains of RMB10.9815 million.							
Effectiveness	The Company conducts foreign exchange (FX) derivative transactions with the intention of hedging. Specifically, the							

s of hedges	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 derivative transactions of the Company. Precautions: The Company chooses financial instruments with simple structures, high liquidity and controllable risk and strictly controls the scale of derivative transactions, performing them by stages and in batches. Means such as extension and balance settlement can be adopted to ensure contract performance after the contract expires.</p> <p>2. Liquidity risk and credit risk: Credit risk arises when the Company or counterparties in transactions couldn't perform contracts due now, to liquidity or other factors that result in further economic loss. Precautions: The derivative transactions can only be done with financial institutions qualified for derivative transactions, as authorized by relevant national authorities or financial or foreign exchange authorities in the country or region where the Company operates. Derivative transactions with other institutions or individuals are not allowed so as to control related risk concerning counterparties.</p> <p>3. Internal risk control: Derivative transactions are highly specialized and complex. Therefore, there is a risk of loss in derivative transactions due to the imperfect internal control system when business is performed. Precautions: The Company should strictly implement Management Policy for Investments in Securities and Derivative Transactions of Lu Thai Textile Co., Ltd., continuously optimize the business operation process and authorization management system, strengthen professional ethics education and business training for relevant personnel, clarify job responsibilities, engage in derivative transaction business strictly within the scope of authorization, and establish a timely reporting system for abnormal conditions to avoid operational risks.</p> <p>4. Risk of laws and regulation: Derivative transactions of the Company must be strictly in compliance with relevant national laws and regulations. Otherwise, signed contracts, commitments and other legal documents may entail compliance risk and regulatory risk in terms of effectiveness and enforceability. Precautions: The Company should strengthen the supervision and inspection of the standardization of derivative transactions, the effectiveness of internal control mechanism, and the authenticity of information disclosure to avoid possible legal risks. The Company has fulfilled relevant approval procedures for its derivative transactions business, which is in line with the relevant national laws, regulations, the Articles of Association, the Management Rules for Securities Investments and Derivative Trading of Lu Thai Textile Co., Ltd., the Proposal on the Company's Derivative Transaction Plan deliberated and adopted at the 33rd meeting of the 9th session of the Board of Directors held on 24 May 2022, and the Proposal on the Company's Derivative Transaction Plan deliberated and adopted at the ninth meeting of the 10th session of the Board of Directors held on 26 May 2023, and fulfilled the relevant information disclosure obligations.</p>
Changes of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	<p>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 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 forward option quotations at the end of the period.</p>
Lawsuit (if applicable)	N/A

Disclosure date of board of directors announcement on approval of derivative investment (if any)	25 May 2022  27 May 2023
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors 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	Net proceeds	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	140,000	138,546	42,543.78	134,497.84	26,371.58	51,371.58	36.69%	9,656.22	By 31 December 2023, RMB46.5622 million in the unused raised capital was deposited in the raised capital account, and	0

										RMB50 million was used for cash management.	
Total	--	140,000	138,546	42,543.78	134,497.84	26,371.58	51,371.58	36.69%	9,656.22	--	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 31 December 2023, the Company directly invested RMB1,344.9784 million in total from the raised capital for its raised capital investment projects. The unused amount was RMB96.5622 million.											

**(2) Commitments on Projects with Funds Raised**

Applicable  Not applicable

Unit: RMB'0,000

Committed investment projects and use direction of over raised capital	Whether the projects are changed (including partially changed projects)	Total committed investment of raised capital	Total investment after modification (1)	Amount invested in this report period	Cumulative investment amount by the end of period (2)	Investment progress by the end of period (3) = (2)/(1)	Date when the project reached the intended available status	Benefit realized in this report period	Whether reached the expected benefit	Whether project feasibility changed significantly
Committed investment projects										
Functional fabric smart eco-park project (Phase I)	Yes	85,000	58,628.42	1,188.48	58,628.42	100.00%	31 December 2024	0	N/A	No
Overseas high-end fabric product line project (Phase I)	Yes	25,000	34,000	25,272.9	30,981.43	91.12%	31 December 2024	0	N/A	No
Supplement working capital	Yes	28,800	46,171.58	16,082.4	44,887.99	97.22%		0	N/A	No
Subtotal of committed investment projects	--	138,800	138,800	42,543.78	134,497.84	--	--	0	--	--
Use direction of over raised capital										
N/A										
Repayment of bank loans	--	0	0	0	0	0.00%	--	--	--	--

(if any)										
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	42,543.78	134,497.84	--	--	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")	The functional fabric smart eco-park project (Phase 1) is currently in the technology ramp-up stage, and has not yet formed a large-scale production or achieved the expected revenue.									
Note for significant change of project feasibility	N/A									
Amount, purpose and use progress of over raised capital	N/A									
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 implement of project and relevant reasons	N/A
Purpose and use direction of unused raised capital	By 31 December 2023, RMB46.5622 million in the unused raised capital was deposited in the raised capital account, and RMB50 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 after changes (1)	Actual investment amount in the Reporting Period	Accumulative investment amount as the period-end (2)	Investment schedule as the period-end (3)=(2)/(1)	Date of reaching intended use of the project	Realized income in the Reporting Period	Whether reached anticipated income	Whether occurred significant changes in project feasibility
Overseas high-end fabric production line project (Phase I)	High-end printing and dyeing fabric production line project, functional fabric smart eco-park project	34,000	25,272.9	30,981.43	91.12%	31 December 2024	0	N/A	No
Total	--	34,000	25,272.9	30,981.43	--	--	0	--	--
Notes of reasons for changes, decision-making procedures and information disclosure (by specific items)			<p>In accordance with the Company's global strategic layout and market demand, the Company planned to adjust its capacity structure.</p> <p>1. On 9 June 2022, the second extraordinary general meeting and the first bondholders' meeting of 2022 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").</p> <p>2. On 25 September 2023, the second extraordinary general meeting and the first bondholders'</p>						

	meeting of 2023 deliberated and adopted the Proposal on Changing the Purpose of Partial Raised Capital Unused. The Company decided to repurposed the remaining raised funds of the “functional fabric smart eco-park project (Phase I) implemented by its majority-owned subsidiary Shandong Lulian New Materials Co., Ltd., using RMB90 million of the remaining raised funds for the “overseas high-end fabric production line project (Phase I)”, which have been disclosed on the cninfo website ("www.cninfo.com.cn") dated 26 September 2023 and 27 September 2023, respectively.
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 Co., Ltd.	Subsidiary	Fabric	706160000	1,591,521,376.13	1,448,604,322.83	1,375,045,198.83	59,043,978.09	57,390,726.91
Shandong Lulian New Materials Co., Ltd.	Subsidiary	Fabric	400000000	651,626,373.52	102,902,356.55	165,702,046.24	-91,041,783.42	-90,776,733.25

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 technology and production.

## **X Structured Bodies Controlled by the Company**

Applicable  Not applicable

See "X Interests in Other Entities" of Part X.

## **XI Prospects**

### 1. Industry competition and development trend

The textile industry of China has certain strength in the global textile industry, mainly showing in industry chain, technology, labor efficiency and other aspects. The global economic downturn has impacted the economy and trade of various countries since 2020, but the competitive edge of the textile industry of China in the international market still remains. In recent years, when the domestic environmental protection requirements are becoming more stringent, production costs are going up and the transformation and upgrade policy is implemented in China, the textile industry may face structural adjustment, and fabric demand will change towards small batch, multiple categories, diversification, functionality and leisure.

### 2. Development strategy of the Company

The Company is a large-scale textile enterprise with a complete industrial chain integrating spinning, dyeing, weaving, post-treatment and garment manufacturing. It is the world's largest production base for yarn-dyed fabrics for shirts, providing blending of three major series of fabrics of pure cotton and natural fiber, cotton and natural fiber as well as cotton and functional fiber. And the newly developed knitted fabric and functional fabric are also popular in markets. In order to maintain the outstanding advantages of the Company in global yarn-dyed fabrics, the Company is pushing intelligent manufacturing upgrades and integrating domestic and foreign advantageous resources to deepen internationalization of the Company with regional advantages. The Company combines quality innovation and customer needs, and innovates the marketing model with advantages of resources in each channel to meet various needs of customers. Furthermore, the Company increases investment in innovation to improve R&D and design and develop new fabrics. The Company holds the concept of low-carbon environmental protection for sustainable development.

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

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

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

(3) In the aspect of business administration, the Company continually implements the strategy of "quality and efficiency improvement" and "comprehensive internationalization", makes more efforts in developing market, adjusting structure and improving capacity, promotes innovation while meeting market demand, integrates internal and external resources, deepens the application of information technology and big data, builds up a flexible, rapid response, efficient and traceable supply system chain, and effectively improves operational capabilities.

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



service and talent development, and the cost advantages of the overseas production bases.

#### 4. Capital needs, sources and planning

By the end of the Reporting Period, the overseas high-end fabric production line project (phase I) was in trial production, and the project fund is mainly from the Company's own funds and the raised fund of the A Share convertible bonds issued by the Company.

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

(1) Impact of economic environment: under the enormous uncertainty risk of the international trade, the geopolitical risk and the weak global economic growth, the Company will face challenges in terms of international trade policies and market changes. In response, the Company will grasp new opportunities arising in China's transformation and double-cycle development at home and abroad, further utilize various resources at home and abroad, and keep developing domestic and overseas markets.

(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 and other factors. Therefore, the Company coordinates order arrangements for domestic and overseas production bases in a rational way, deeply studies the information of global cotton market, properly works out procurement strategy and gives full play to the convenient advantages of global procurement of high-quality raw cotton through overseas production bases.

(3) Change of exchange rate: the Company has a large ratio in import and export business, which is mostly settled in USD. 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 financial derivatives such as forwards, swaps, and option portfolios to avoid currency risks. Secondly, the Company made reasonable arrangement on settlement day and currency and vigorously promoted cross-border settlement with RMB to avoid exchange rate-related risks. Thirdly, the Company adjusted the Renminbi and foreign-currency liabilities structure to actively prevent currency fluctuation risks.

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

Applicable  Not applicable

Date of visit	Place of visit	Way of visit	Type of visitor	Visitor	Contents and materials provided	Index to main inquiry information
6 January 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230110 disclosed on Cninfo by the Company on 10 January 2023
3 February 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230207 disclosed on Cninfo by the Company on 7 February 2023
8 February 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230210 disclosed on Cninfo by the Company on 10 February 2023
22 February 2023	The Company	One-on-one	Institution	Institutional investor	About basic information of the	Investor Relations Management Archive 20230223 disclosed on

	y's conference room	meeting			Company	Cninfo by the Company on 23 February 2023
12 April 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230413 disclosed on Cninfo by the Company on 13 April 2023
28 April 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230504 disclosed on Cninfo by the Company on 4 May 2023
15 May 2023	The Company's conference room	Online exchange	Other	Investor	About basic information of the Company	Investor Relations Management Archive 20230515 disclosed on Cninfo by the Company on 15 May 2023
18 May 2023	The Company's conference room	One-on-one meeting	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230523 disclosed on Cninfo by the Company on 23 May 2023
9 June 2023	The Company's conference room	One-on-one meeting	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230613 disclosed on Cninfo by the Company on 13 June 2023
21 August 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230822(1) disclosed on Cninfo by the Company on 22 August 2023
21 August 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230822(2) disclosed on Cninfo by the Company on 22 August 2023
22 August 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20230822 disclosed on Cninfo by the Company on 22 August 2023
30 October 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20231031(1) disclosed on Cninfo by the Company on 31 October 2023
30 October 2023	The Company's conference room	By phone	Institution	Institutional investor	About basic information of the Company	Investor Relations Management Archive 20231031(2) disclosed on Cninfo by the Company on 31 October 2023

### XIII Implementation of the “Quality and Earnings Dual Improvement” Action Plan

Indicate whether the Company has disclosed the “Quality and Earnings Dual Improvement” Action Plan.

Yes  No

## Part IV Corporate Governance

### I General Information of Corporate Governance

During the Reporting Period, the Company strictly conforms to Company Law, Securities Law (Revised in 2019), Governing Rules for Listed Company, Guideline No. 1 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies—Operation Compliance of Main Board Listed Companies (revised in December 2023) and Administrative Measures for Independent Directors of Listed Companies as well as relevant stipulations and requirements from normative documents, continuously improves the corporate governance structure, safeguards the standardized and efficient operation of three Committees and one Management, forms a sound and effective internal control system so as to safeguard legitimate interests of the Company and investors. Within the Reporting Period, the Company amended 24 systems including *Articles of Association of Lu Thai Textile Co., Ltd.*, *Rules of Procedure of the General Meeting of Lutai Textile Co., Ltd.*, and *Rules of Procedure of the Board of Directors of Lutai Textile Co., Ltd.*, and formulated *Special Meeting System for Independent Directors of Lu Tai Textile Co., Ltd.*

#### 1. Shareholders and Shareholders' General Meeting

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

#### 2. The relationship between the majority shareholders and the Company

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

#### 3. The directors and Board of Directors

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

#### 4. Supervisors and Supervisory Committee

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

#### 5. Information disclosure

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

#### 6. Investor relations management

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

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

Yes  No

No such cases in the Reporting Period.

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

1. As for the business: the Company shall establish its independent and complete business system with the market-oriented independent management ability. In the respect of business operation, the Company is completely separated from the controlling shareholders.

2. As for the personnel: the Company's labor, personnel and remuneration management departments shall be independent with their own sound systems, and separated from that of the substantial shareholder. The Company's senior managers are not allowed to simultaneously hold any office in any shareholder's unit.

3. As for the assets: the Company possesses the entire and independent legal person property right with independent and perfect the production system, auxiliary production systems and supporting facilities; and possesses the independent ownership of the intangible assets such as the industrial property, trademarks, non-patented technology.

4. As for the institution: the Company's Board of Directors, Supervisory Committee and other internal organization shall be sound and involved in independent operation. The substantial shareholder shall legally execute its rights, fulfill corresponding obligations and not surpass the shareholders meeting to directly or indirectly interfere the Company's business activities.

5. As for the finance: the Company possesses independent financial departments with normative financial accounting system and financial management system as well as internal control system with independent bank account.

## III Horizontal Competition

Applicable  Not applicable

## IV Annual and Special General Meetings Convened during the Reporting Period

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

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Resolutions
The 2022 Annual General Meeting	Annual General Meeting	32.95%	12 May 2023	13 May 2023	19 proposals, including the Proposal on 2022 Annual Work Report of the Board of Directors, were deliberated and approved.
The 1 <sup>st</sup> Extraordinary General Meeting of 2023	Extraordinary General Meeting	33.33%	6 July 2023	7 July 2023	Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share), was deliberated and approved.
The 2 <sup>nd</sup> Extraordinary General Meeting of 2023	Extraordinary General Meeting	32.99%	25 September 2023	26 September 2023	Proposal on Changing the Usage of Some Raised Funds was deliberated and approved.

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

Applicable  Not applicable

## V Directors, Supervisors and Senior Management

### 1. Basic Information

Name	Gender	Age	Office title	Incumbent/Former	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)	Reason for change
Liu Zibin	Male	59	Chairman	Incumbent	6 June 2016	8 June 2025	148,290				148,290	
	Male	59	President	Incumbent	6 June 2007	8 June 2025	148,290				148,290	
Xu Zhinan	Male	94	Vice Chairman	Incumbent	6 May 2004	8 June 2025						
Xu Jianlyu	Female	49	Director	Incumbent	9 June 2022	8 June 2025						
Zheng Huisheng	Male	36	Director	Incumbent	9 June 2022	8 June 2025						
Liu Deming	Male	34	Director, Vice Controller of Global Marketing Department	Incumbent	12 May 2017	8 June 2025						
Zhang Zhanqi	Male	52	Director	Incumbent	9 June 2022	8 June 2025	580,300				580,300	
	Male	52	Vice president, Head of Global Marketing Department	Incumbent	6 June 2016	8 June 2025	580,300				580,300	
Zhang Keming	Male	56	Director	Incumbent	9 June 2022	8 June 2025	377,700				377,700	
	Male	56	Board Secretary, Chief Accountant, Head of Financial Management Department	Incumbent	6 June 2019	8 June 2025	377,700				377,700	
Du Lixin	Male	49	Director, Chief Engineer, Executive Dean of Lu	Incumbent	9 June 2022	8 June 2025	250,000				250,000	

			Thai Engineering Technology Research Institute									
Zhou Zhiji	Male	61	Independent Director	Incumbent	10 March 2019	8 June 2025						
Qu Dongmei	Female	55	Independent Director	Incumbent	10 June 2019	8 June 2025						
Peng Yanli	Female	63	Independent Director	Incumbent	9 June 2022	8 June 2025						
Quan Yuhua	Female	68	Independent Director	Incumbent	9 June 2022	8 June 2025						
Zhang Shougan	Male	54	Chairman of the Supervisory Committee	Incumbent	8 February 2018	8 June 2025	73,100				73,100	
Liu Zilong	Male	56	Supervisor	Incumbent	6 June 2007	8 June 2025	10,000				10,000	
Dong Shibing	Male	55	Supervisor, Chairman of the Labor Union, Manager of Logistics Management Department	Incumbent	6 June 2007	8 June 2025	5,000				5,000	
Shang Chenggan	Male	51	President Assistant, Head of Garment Product Line	Incumbent	6 June 2013	8 June 2025	330,000				330,000	
Yu Shouzhen	Male	56	President Assistant, Head of Energy and Environment Protection Department	Incumbent	6 June 2007	8 June 2025	383,100				383,100	
Fujiwara Matsuzaka	Male	51	GM of Japan Office	Incumbent	9 December 2014	8 June 2025						
Li Wenji	Male	57	Dean of Lu Thai Engineering Technology Research Institute	Incumbent	8 June 2016	8 June 2025	260,000				260,000	
Guo Heng	Male	52	Head of Functional Fabric Product Line	Incumbent	18 January 2018	8 June 2025	300,000				300,000	
Lyu Wenquan	Male	51	Deputy Head of Yarn Dyed Fabric Product Line, Manager of	Incumbent	9 June 2022	8 June 2025	200,000				200,000	

			Yarn Dyed Fabric Production and Management Department									
Xu Feng	Male	47	Deputy Head of Yarn Dyed Fabric Product Line, Head of Overseas Operation and Management Center	Incumbent	9 June 2022	8 June 2025	190,000				190,000	
Wang Jiabin	Male	61	Head of Safety, Chairman of the Labor Union	Former	6 June 2007	15 July 2023	313,700				313,700	
Total	--	--	--	--	--	--	3,421,190	0	0	0	3,421,190	--

Indicate by tick mark whether any director, supervisor or senior management departed the Company before the expiry of their tenures during the Reporting Period.

Yes  No

Wang Jiabin, the Company's former Head of Safety and Chairman of the Labor Union, resigned from his position as an executive officer of the Company on 15 July 2023 due to his retirement and continues to remain as a consultant of the Company.

Change of Directors, Supervisors and Senior Management

Applicable  Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Wang Jiabin	Head of Safety, Chairman of the Labor Union	Contract termination	15 July 2023	Retirement

## 2. Biographical Information

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

1. Mr. Liu Zibin: Chairman and President of the Company, born in 1965, with a master degree. He served as the GM and chairman of Zibo Lucheng Textile Co., Ltd. And he currently serves as the chairman and president of Luthai Textile Co., Ltd., the chairman of Lufeng Textile Dyeing Co., Ltd., the chairman of Zibo Xinsheng Thermoelectric Co., Ltd., the chairman of Zibo Lu Qun Textile Co., Ltd., the chairman of Luthai (Hong Kong) Co., Ltd., the chairman of Shandong Lulian New Materials Co., Ltd., the chairman of Shandong Lujia Import and Export Co., Ltd. and the chairman of Hainan Huilin International Holdings Co., Ltd.
2. Mr. Xu Zhinan: Vice chairman of the Company, born in 1930, Thai nationality. He used to be director and GM of Thai Fibre Cloth Factory Co., Ltd., director of Thai Fibre Co., Ltd., director of Thai Fibre Printing and Dyeing Co., Ltd., director and deputy GM of Lu Thai Textile Co., Ltd. And he currently serves as the director and deputy chairman of the Company and GM of Thailand Fiber Co., Ltd.
3. Ms. Xu Jianlyu: Director of the Company, born in 1975, Thai nationality. She currently serves as president of Cassardi International Co., Ltd.
4. Mr. Zheng Huisheng: Director of the Company, born in 1988, Thai nationality. He currently serves as director of Cassardi



International Co., Ltd.

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

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

7. Mr. Zhang Keming: Director, Board Secretary, Chief Accountant, and head of Financial Management Department of the Company. Born in 1968, with a master degree of business administration, he is a senior accountant. Once he was deputy manager and manager of the financial department of the Company.

8. Mr. Du Lixin: Director, chief engineer, and executive dean of Luthai Institute of Engineering and Technology of the Company. Born in 1975, he served as spinning operator, a weaver's planner, a deputy director of the production department's dispatching room, a weaver's factory director, a manager of the weaving department, and a deputy manager of the production department of Lu Thai.

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

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

11. Ms. Peng Yanli: Independent director of the Company, born in 1961, with a master degree of business administration. She is a senior engineer. As a former official in the former Ministry of the Textile Industry and the former China Textile Federation, she served as president of China Wool Textile Association, deputy secretary general of China National Textile and Apparel Council, vice chairman of China Textile Engineering Society, and deputy director of China Textile Information Center.

12. Ms. Quan Yuhua: Independent director of the Company, born in 1956, with a bachelor degree. She is a senior accountant. Moreover, she served as manager of the financing department of the CCB Shandong Branch Trust and Investment Company, the director assistant in the information and research office, the entrusted loan office, and the fee-based business department of the CCB Shandong Branch, and the level-5 customer manager in the Zhenzhuquan Branch of CCB in Jinan City.

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

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

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

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

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

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

19. Mr. Li Wenji: Dean of Lu Thai Engineering Technology Research Institute, born in 1967. Once he was a teacher of Shandong University of Finance. He once served as the manager of the Company's information department, CIO and Controller of the enterprise management department.

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

21. Mr. Lyu Wenquan: Deputy Head of the yarn-dyed fabric product line, manager of the yarn-dyed production management department, born in 1973. He serves as a senior engineer. Moreover, he is one of the middle-aged and young experts in Zibo City and one of the "Torch Talents" for Zibo High-tech Zone. In addition, he served as a factory director and the manager of the fabric finishing business department of Lu Thai.

22. Mr. Xu Feng: Deputy head of the yarn-dyed fabric product line, Head of Overseas Operation and Management Center, born in 1977. He is an engineer and served as assistant manager of the bleaching and dyeing business department.

Offices held concurrently in shareholding entities:

Applicable  Not applicable

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

Offices held concurrently in other entities:

Applicable  Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Liu Zibin	LuFeng Company Limited, Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Thermal Power Co., Ltd., Lu Thai (HK) Textile Co., Ltd, Shandong Lulian New Materials Co.,	Chairman of the Board, Director, GM	7 December 2015		No

	Ltd., Shandong Lujia Import and Export Co., Ltd., Hainan Huilin International Holdings Co., Ltd.				
Liu Deming	LuFeng Company Limited, Zibo Xinsheng Thermal Power Co., Ltd., Zibo Luqun Textile Co., Ltd., Shandong Lulian New Materials Co., Ltd., Shanghai Zhinuo Textile New Materials Co., Ltd., Beijing Zhishu Management Consulting Co., Ltd.	Director	21 August 2017		No
Zhang Zhanqi	LuFeng Company Limited	Director and GM	5 July 2014		No
Zhang Keming	Zibo Luqun Textile Co., Ltd., Shandong Lulian New Materials Co., Ltd., LuFeng Company Limited, Shanghai Luthai Textile and Apparel Co., Ltd., Shanghai Zhinuo Textile New Materials Co., Ltd.	Director, Supervisor	3 March 2022		No
Zhou Zhiji	Shandong Jinheng Consulting Co., Ltd	Supervisor	1 October 2015		Yes
Qu Dongmei	Law School of Shandong Normal University	Professor	1 July 2003		Yes
Quan Yuhua	Shandong High End Blueberry Biotechnology Co., Ltd., Shandong Spark International Education Group Co., Ltd.	Director	1 April 2008		Yes
Liu Zilong	Lu Thai (Hong Kong) Textile Co., Ltd.	GM	9 May 2005		No
Dong Shibing	Zibo Banyang Villa Hotel Co., Ltd.	Director and GM	2 April 2021		No
Yu Shouzheng	Zibo Xinsheng Thermal Power Co., Ltd.	Director and GM	13 April 2021		No
Guo Heng	Shandong Lulian New Materials Co., Ltd.	Director and GM	28 August 2021		No
Explanations about holding posts in other entities	Except for independent directors, all other entities the Company's directors, supervisors and senior management hold posts are majority-owned subsidiaries of the Company.				

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

Applicable  Not applicable

### 3. Remuneration of Directors, Supervisors and Senior Management

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

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

The Controller of Financial Management Department, the Corporate Management Department and the HR Department of the Company shall be liable to the preliminary preparation for the decision of the Remuneration and Appraisal Committee, including but not limited to providing information such as the Company's main financial indicators and the completion of management

objectives. The Remuneration and Appraisal Committee shall confirm the annual appraisal results of directors and officers in accordance with the completion of the Company's performance and the remuneration criteria for officers, and shall report to the Board of Directors for ratification after the approval by voting.

The number of incumbent directors, supervisors and senior executives is 22, among which there are 19 persons actually receiving remuneration from the Company during the Reporting Period. By 31 December 2023, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB12,214,100 (before tax).

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

Unit: RMB'0,000

Name	Gender	Age	Office title	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liu Zibin	Male	59	Chairman and President	Incumbent	146.75	No
Xu Zhinan	Male	94	Vice Chairman	Incumbent	0	No
Xu Jianlyu	Female	49	Director	Incumbent	0	No
Zheng Huisheng	Male	36	Director	Incumbent	0	No
Liu Deming	Male	34	Director, Vice Controller of Global Marketing Department	Incumbent	74.53	No
Zhang Zhanqi	Male	52	Director, Vice president, Head of Global Marketing Department	Incumbent	76.97	No
Zhang Keming	Male	56	Director, Board Secretary, Chief Accountant, Head of Financial Management Department	Incumbent	75.51	No
Du Lixin	Male	49	Director, Chief Engineer, Executive Dean of Lu Thai Engineering Technology Research Institute	Incumbent	75.04	No
Zhou Zhiji	Male	61	Independent Director	Incumbent	7	No
Qu Dongmei	Female	55	Independent Director	Incumbent	7	No
Peng Yanli	Female	63	Independent Director	Incumbent	0	No
Quan Yuhua	Female	68	Independent Director	Incumbent	7	No
Zhang Shougang	Male	54	Chairman of the Supervisory Committee	Incumbent	60.15	No
Liu Zilong	Male	56	Supervisor	Incumbent	76.44	No
Dong Shibing	Male	55	Supervisor, Manager of Logistics Management Department	Incumbent	76.94	No
Shang Chenggan	Male	51	President Assistant, Head of Garment Product Line	Incumbent	73.57	No
Yu Shouzheng	Male	56	President Assistant, Head of Energy and Environment Protection Department	Incumbent	75.09	No
Fujiwara Matsuzaka	Male	51	GM of Japan Office	Incumbent	48.55	No
Li Wenji	Male	57	Dean of Lu Thai Engineering Technology Research Institute	Incumbent	78.24	No
Guo Heng	Male	52	Head of Functional Fabric Product Line	Incumbent	74.83	No
Lyu	Male	51	Deputy Head of Yarn Dyed Fabric Product Line,	Incumbent	73.39	No

Wenquan			Manager of Yarn Dyed Fabric Production and Management Department	Incumbent		
Xu Feng	Male	47	Deputy Head of Yarn Dyed Fabric Product Line. Head of Overseas Operation and Management Center	Incumbent	83.52	No
Wang Jiabin	Male	61	Head of Safety, Chairman of the Labor Union	Former	30.89	No
Total	--	--	--	--	1,221.41	--

Other notes:

Applicable  Not applicable

## VI Performance of Duty by Directors in the Reporting Period

### 1. Board Meeting Convened during the Reporting Period

Meeting	Date of the meeting	Disclosure date	Meeting resolutions
5 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	13 February 2023	14 February 2023	Three proposals, including the <i>Proposal on Routine Related Transactions</i> , were deliberated and approved
6 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	20 March 2023	21 March 2023	Twenty-four proposals, including <i>Proposal on Amending Certain Clauses of the Articles of Association of Lu Thai Textile Co., Ltd.</i> were deliberated and approved
7 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	10 April 2023	12 April 2023	Nineteen proposals, including the <i>Proposal on 2022 Annual Work Report of the Board of Directors</i> were deliberated and approved
8 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	26 April 2023	28 April 2023	It deliberated and approved <i>Proposal on the Company's 2023Q1 Report</i>
9 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	26 May 2023	27 May 2023	Three proposals, including <i>Proposal on the Delay of the Functional Fabric Smart Eco-Park (Phase I) Project</i> were deliberated and approved
10 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	19 June 2023	20 June 2023	Three proposals, including the <i>Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share)</i> were deliberated and approved
11 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	30 June 2023	1 July 2023	Two proposals, including <i>Proposal on Not Lowering the Conversion Price of Lu Thai Convertible Bonds</i> were deliberated and approved
12 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	19 July 2023	20 July 2023	Two proposals, including <i>Proposal on Modifying Certain Clauses of the Company's Articles of Association According to the General Meeting's Authorization</i> were deliberated and approved
13 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	17 August 2023	19 August 2023	Five proposals, including <i>Proposal on the Full Text and Summary of the Company's 2023 Semi-annual Report</i> were deliberated and approved
14 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	8 September 2023	9 September 2023	Three proposals, including the <i>Proposal on Changing the Purpose of Partial Raised Capital Unused</i> were deliberated and approved
15 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	26 October 2023	28 October 2023	It deliberated and approved <i>Proposal on the Company's 2023Q3 Report</i>
16 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	6 November 2023	7 November 2023	It deliberated and approved <i>Proposal on Not Lowering the Conversion Price of Lu Thai Convertible Bonds</i>
17 <sup>th</sup> Meeting of the 10 <sup>th</sup> Board of Directors	26 December 2023	27 December 2023	Seventeen proposals, including <i>Proposal on Amending Certain Clauses of the Articles of Association of Lu Thai Textile Co., Ltd.</i> were deliberated and approved

## 2. Attendance of Directors at Board Meetings and General Meetings

Attendance of directors at board meetings and general meetings							
Director	Total number of board meetings the director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the director failed to attend	The director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Liu Zibin	13	13	0	0	0	No	3
Xu Zhinan	13	0	13	0	0	No	0
Liu Deming	13	13	0	0	0	No	2
Xu Jianlyu	13	0	13	0	0	No	0
Zheng Huisheng	13	0	13	0	0	No	0
Zhang Zhanqi	13	13	0	0	0	No	2
Zhang Keming	13	13	0	0	0	No	3
Du Lixin	13	13	0	0	0	No	2
Zhou Zhiji	13	1	12	0	0	No	1
Qu Dongmei	13	1	12	0	0	No	0
Peng Yanli	13	0	13	0	0	No	0
Quan Yuhua	13	1	12	0	0	No	0

Why any director failed to attend two consecutive board meetings:

Not applicable.

## 3. Objections Raised by Directors on Matters of the Company

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

Yes  No

No such cases in the Reporting Period.

## 4. Other Information about the Performance of Duty by Directors

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

Yes  No

Suggestions from directors adopted or not adopted by the Company

During the Reporting Period, directors of the Company carried out their work conscientiously and responsibly in strict accordance with the *Company Law*, *Securities Law*, *Listed Company Governance Standards*, *Self-Regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange - Standard Operation of Listed Companies on the Main Board*, *Articles of Association* and *Rules of Procedure of the Board of Directors*. Based on the Company's reality, they made scientifically sound and careful decisions on the Company's various reviewed matters, and formed opinions through full communication and discussion. They resolutely supervised and promoted the implementation of the resolutions of the Board of Directors to ensure scientific, timely and efficient decision-making and fully safeguard the legitimate rights and interests of the Company and all shareholders.

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

Committee	Members	Number of meetings	Convened date	Content	Important opinions and suggestions raised	Other information about the performance	Details about issues with objections (if any)
-----------	---------	--------------------	---------------	---------	---	---	---

		convened				of duty	
Audit Committee	Zhou Zhiji, Qu Dongmei, and Zhang Keming	6	17 January 2023	Mainly, the Company's financial statements submitted to Grant Thornton Certified Public Accountants LLP for preliminary audit were reviewed, written opinions were expressed, and communication with Leader of annual audit accountant project was conducted.	The opinions were as follows: (1) Preparing the Company's financial accounting statements in accordance with the Company's accounting policies and applying accounting policies properly, it carried out accounting estimate fully and reasonably, which conformed to the New Accounting Standard for Business Enterprises, accounting system for enterprises and the requirements of relevant provisions issued by the Ministry of Finance; (2) Unit statements of the Company's financial statements that were included in the scope of consolidation were complete, while the statement consolidation basis was accurate; (3) The financial statements of the Company were objective, true and accurate, without any major	-	

				<p>misstatement or omission;                  (4) And due to the fact that there still is a period of time from the day for review of the financial statements to the day for audit report and financial statement release, the Financial Management Department of the Company was submitted to focus on and cope with post balance sheet events, so as to ensure the fairness, authenticity and integrity of the financial statements.                  The Audit Committee thought that the financial accounting statements could be submitted to Annual Certified Public Accountant for audit according to annual audit plan.</p>		
			10 April 2023	<p>The following matters were mainly audited:                  (1) The Company's 2022 Annual Financial Report audited by the accounting firm.                  (2) Conclusion Report on the Company's Audit Work for the 2022 Annual Financial Report</p>	(1) Regarding the written opinion issued after the accounting firm's preliminary audit opinion on the Company's financial statements: The	-



				<p>conducted by Grant Thornton Certified Public Accountants LLP. (3) Proposal on the renewal of Grant Thornton Certified Public Accountants LLP As the Company's 2023 Annual Financial Audit and Internal Control Audit Institution. (4) 2022 Internal Control Assessment Report and issuance of written assessment opinions (5) Report of the 2022 Annual Deposit and Use of the Raised Funds. (6) Report on the Implementation of the 2022 Annual Internal Audit Plan. (7) 2023 Annual Internal Audit Plan.</p>	<p>procedure of financial statement preparation was reasonable and normative as the Company conformed to the New Accounting Standard for Business Enterprises and relevant provisions of the Company's financial system, which fairly reflected the Company's assets, liabilities, shareholders' equity and operating results by 31 December 2022, which were true, accurate and complete. The Audit Committee thought that the Company's 2022 Annual Financial Accounting Report that was preliminarily approved by Grant Thornton Certified Public Accountants LLP could be submitted to the 7th Meeting of the 10th Board of Directors for review. (2) Regarding the written opinion issued on the Company's 2022 internal control self-</p>	
--	--	--	--	---	---	--

					<p>assessment report:          According to <i>Fundamental Norms for Internal Control of Enterprises, Supporting Guidelines for Internal Control of Enterprises</i> and relevant provisions prescribed by securities regulators for the internal control establishment of listed companies, combining the actual status of the Company's business, the Company established the internal control system that covers all stages including production and management, as well as adapts to the Company's management requirements and development needs. It is relatively normative and complete, for which its organization is complete and reasonably designed, its implementation is basically effective, effectively protecting the fundamental interests of all</p>	
--	--	--	--	--	--	--

					<p>shareholders of the Company. We believe that the assessment and evaluation process, as well as the format of the <i>2021 Annual Internal Control Evaluation Report</i>, comply with the requirements of the <i>Supporting Guidelines for Internal Control of Enterprises and Regulations on Information Disclosure and Compilation for Companies Public Offering Securities No. 21 -- General Provisions on Annual Internal Control Assessment Reports</i>. The report content comprehensively, objectively, and truthfully reflects the actual situation of the Company's current internal control system construction, operation, system implementation, and supervision. The</p>		
--	--	--	--	--	--	--	--

					Company's internal control system is sound, and internal controls are effective. The Audit Committee thought that the 2022 Internal Control Self-evaluation Report could be submitted at the 7th Meeting of the 10th Board of Directors for review.		
			25 April 2023	The following matters were mainly audited: (1) 2023Q1 Report; (2) Report of the Deposit and Use of the Raised Funds in Q1 2023; (3) Report on the Implementation of Internal Audit Plan of 2023Q1.	The following proposals were adopted by voting at the meeting: <i>2023Q1 Report, Special Report of the Deposit and Use of the Raised Funds in Q1 2023, Report on the Implementation of Internal Audit Plan of Q1 2023.</i>	-	
			7 August 2023	Mainly, the following matters were deliberated: (1) Special Interim Report 2023 of the Deposit and Use of the Raised Funds. (2) Interim Report 2023 on the Implementation of Internal Audit Plan (3) Interim Financial Statements Report of 2023.	The following proposals were adopted by voting at the meeting: <i>Special Interim Report 2023 of the Deposit and Use of the Raised Funds, Interim Report 2023 on the Implementation of Internal Audit Plan, Interim Financial Statements</i>	-	

					<i>Report of 2023.</i>		
			19 October 2023	Mainly, the following matters were deliberated: (1) Special Report on the Deposit and Use of the Raised Funds of 2023 Third Quarter. (2) Report on the Implementation of Internal Audit Plan of 2023 Third Quarter. (3) Financial Statements of 2023 Q3.	The following proposals were adopted by voting at the meeting: <i>Special Report on the Deposit and Use of the Raised Funds of 2023 Third Quarter, Report on the Implementation of Internal Audit Plan of 2023 Third Quarter, Financial Statements of 2023 Q3.</i>	-	
			10 November 2023	The time arrangement for the Company's 2023 annual financial audit work was negotiated.	The time arrangement plan for 2023 annual financial audit work was unanimously determined at the meeting through the negotiation with the 2023 annual audit institution, Grant Thornton Certified Public Accountants LLP, of the Company.	-	
Remuneration Committee	Peng Yanli, Liu Zibin, Zhou Zhiji, and Qu Dongmei	2	10 April 2023	The main topic of the meeting was: (1) The Proposal of Lu Thai Textile Co., Ltd. on the Appraisal Results of Directors and Senior Management Personnel in 2022. (2) The Appraisal Report on the Performance of the 2022 Restricted Share Incentive	The following proposals were adopted by voting at the meeting: <i>The Proposal of Lu Thai Textile Co., Ltd. on the Appraisal Results of Directors and Senior Management Personnel in 2022, The Appraisal</i>	-	

				<p>Scheme (reserved portion). (3) The Proposal on the Achievement of Lifting the Restriction Conditions in the First Restriction Period for the Reserved Grant of the 2021 Restricted Share Incentive Scheme.</p>	<p><i>Report on the Performance of the 2022 Restricted Share Incentive Scheme (reserved portion), The Proposal on the Achievement of Lifting the Restriction Conditions in the First Restriction Period for the Reserved Grant of the 2021 Restricted Share Incentive Scheme.</i> Meanwhile, the submission of the first and third proposal to the 7th Meeting of the 10th Board of Directors for deliberation was approved.</p>		
			22 May 2023	<p>The main topics of the meeting were: (1) The Appraisal Report on the Performance of the 2022 Restricted Share Incentive Scheme. (2) 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.</p>	<p>The following proposals were adopted by voting at the meeting: The <i>Appraisal Report on the Performance of the 2022 Restricted Share Incentive Scheme</i> and <i>The Proposal on the Achievement of Lifting the Restriction Conditions in the Second Restriction Period for the First Grant of the 2021 Restricted</i></p>		

					<i>Share Incentive Scheme.</i> Meanwhile, the submission of the second proposal to the 9th Meeting of the 10th Board of Directors for deliberation was approved.		
Strategy Committee	Liu Zibin, Xu Zhinan, Liu Deming, Xu Jianlyu, Zheng Huisheng, Zhang Zhanqi, Zhang Keming, Du Lixin, Zhou Zhiji, Qu Dongmei, Peng Yanli, Quan Yuhua	1	10 April 2023	The Strategic Planning of Lu Thai Textile of 2023 to 2026 (2023 Revised Version) was deliberated.	The following proposal was approved by voting at the meeting: The <i>Strategic Planning of Lu Thai Textile of 2023 to 2026 (2023 Revised Version).</i>	-	
Nomination Committee	Qu Dongmei, Liu Zibin, Xu Zhinan, Zhou Zhiji, Peng Yanli	0		-	-	-	

## VIII Performance of Duty by the Supervisory Committee

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

Yes  No

The Supervisory Committee raised no objections in the Reporting Period.

## IX Employees

### 1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent at the period-end	8,168
Number of in-service employees of major subsidiaries at the period-end	15,354
Total number of in-service employees	23,522
Total number of paid employees in the Reporting Period	23,522
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	

Function	Employees
Production	17,655
Sales	430
Technical	4,728
Financial	110
Administrative	599
Total	23,522
Educational backgrounds	
Educational background	Employees
Doctor	3
Master	88
Bachelor	1,456
College	4,362
High school and below	17,613
Total	23,522

## 2. Employee Remuneration Policy

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

## 3. Employee Training Plans

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

## 4. Labor Outsourcing

Applicable  Not applicable

Total man-hours (hour)	286,649
Total rewards paid (RMB)	3,475,624.50

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

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

Applicable  Not applicable

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

Applicable  Not applicable

Final dividend plan for the Reporting Period



Applicable  Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	1.30
Bonus issue from capital reserves (share/10 shares)	0
Total shares as the basis for the profit distribution proposal (share)	817,431,206
Cash dividends (RMB) (tax inclusive)	106,266,056.78
Cash dividends in other forms (such as share repurchase) (RMB)	172,571,885.18
Total cash dividends (including those in other forms) (RMB)	278,837,941.96
Distributable profit (RMB)	5,923,889,542.37
Total cash dividends (including those in other forms) as % of total profit distribution	100%
<b>Cash dividend policy</b>	
If the Company is in a mature development stage and has plans for any significant expenditure, in profit allocation, the ratio of cash dividends in the profit allocation shall be 40% or above.	
<b>Details about the proposal for profit distribution and converting capital reserve into share capital</b>	
The Company plans to distribute a cash dividend of RMB1.30(inclusive of tax) for every 10 shares, based on a capital base of 817,431,206 shares following the completion of the repurchase and cancellation of B shares. The total amount of dividends calculated on this basis is RMB106,266,056.78. The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Cash Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for domestic individual shareholders, tax is paid pursuant to CS [2015] No. 101; for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China). Since the Company is in the period of transferring convertible bonds into shares, the profit distribution will be conducted based on the total share capital on the equity registration date for implementing this profit distribution plan with no change in the amount per share.	

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

Applicable  Not applicable

### 1. Equity Incentive

No.	Deliberation time	Relevant meeting	Overview of execution	Disclosure index
1	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 Law Firm Qingdao Office issued a legal opinion. The number of the subjects of incentive participating in the assessment in the first restriction period for the reserved grant of the 2021 restricted share incentive scheme of the Company were up to 343, all of them meet the conditions to be released, and the total amount of restricted shares that can be released was 2,919,000. The restricted shares released this time were listed and traded on 9 May 2023.	For details, see the relevant announcements disclosed on 12 April 2023 on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
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 details, see the relevant announcement (No.: 2023-027) disclosed on 5 May

			for Grant of the 2021 Restricted Share Incentive Scheme.	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 the relevant announcements disclosed on 13 May 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 Company's independent directors expressed their independent opinions on relevant matters. The Board of Supervisors reviewed and approved the <i>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</i> and expressed its written review opinion. 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 the relevant announcements disclosed on 27 May 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 1 June 2023 on www.cninfo.com.cn.
6	13 July 2023	-	As audited and confirmed by Shenzhen Stock Exchange and the Shenzhen Branch of China Clear, the procedures of repurchasing and canceling 90,000 shares of authorized and unlocked restricted share of the incentive personnel not conforming to the incentive condition were completed.	For details, see the relevant announcement (No.: 2023-056) disclosed on 13 July 2023 on www.cninfo.com.cn.

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

Applicable  Not applicable

Unit: share

Name	Office title	Share options held at the period -begin	Share options granted in the Reporting Period	Share s feasible to exercise during the Reporting Period	Share s exercised during the Reporting Period	Exercise price of exercised shares during the Reporting Period (RMB /share )	Share options held at the period -end	Market price at the period -end (RMB /share )	Number of restricted shares held at the period -begin	Number of released shares for the Reporting Period	Number of restricted shares newly granted during the Reporting Period	The grant price of restricted shares (RMB/ share)	Number of restricted shares held at the period-end
Zhang Zhanqi	Director , Vice President, Controller of Global Marketi								380,000	190,000			190,000

	ng Depart ment												
Zhang Kemin g	Director , Board Secretar y, Chief Accoun tant, Controll er of Financi al Manage ment Depart ment								220,0 00	110,0 00			110,000
Du Lixin	Director , Chief Enginee r, Executi ve Dean of Lu Thai Enginee ring Technol ogy Researc h Institute								220,0 00	110,0 00			110,000
Shang Chengg ang	Senior manage ment								220,0 00	110,0 00			110,000
Yu Shouzh eng	Senior manage ment								220,0 00	110,0 00			110,000
Li Wenji	Senior manage ment								220,0 00	110,0 00			110,000
Guo Heng	Senior manage ment								220,0 00	110,0 00			110,000
Lyu Wenqu an	Senior manage ment								140,0 00	70,00 0			70,000
Xu Feng	Senior manage ment								190,0 00	95,00 0			95,000
Total	--	0	0	0	0	--	0	--	2,030, 000	1,015, 000	0	--	1,015,00 0

## Appraisal of and incentive for senior management

During the Reporting Period, the Company constantly improved the performance evaluation mechanism and made the evaluation and incentive of the Senior Executives concerned with the Company's performances and the individual working results. According to the overall development strategy and the annual operating target of the Company at the period-begin, the Company confirms the annual performance comprehensive indication and the management duty of each Senior Executives, and executes the performance

examination and the redemption of the rewards and punishment for the Senior Executives by the Remuneration and Examination Committee affiliated to the Board of Directors at the year-end. The Company will constantly improve the evaluation and incentive mechanism that to tightly concern the salary of the Senior Executives with the management level and the operating performance so that to fully mobilize and inspire the initiative and creativity of them.

## 2. Implementation of Employee Stock Ownership Plans

Applicable  Not applicable

## 3. Other Incentive Measures for Employees

Applicable  Not applicable

For the first restricted period of the reserved grant of shares of the 2021 restricted share incentive scheme, the restricted shares were released for trading on 9 May 2023. Excluding directors and senior executives, the Company lifted the restrictions on 2,519,000 restricted shares for 336 mid-level managers and core personnel. For the second restricted period of the initial grant of shares of the 2021 restricted share incentive scheme, the restricted shares were released for trading on 8 June 2023. Excluding directors and senior executives, the Company lifted the restrictions on 6,349,500 restricted shares for 707 mid-level managers and core personnel.

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

### 1. Establishment and Execution of the Internal Control System

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

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

### 2. Material Internal Control Weaknesses Identified for the Reporting Period

Yes  No

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

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

## XIV Internal Control Evaluation Report or Independent Auditor's Report on Internal Control

### 1. Internal Control Evaluation Report

Disclosure date of the internal control self-evaluation report	12 April 2024	
Index to the disclosed internal control self-evaluation report	For details, please refer to the Self-appraisal Report on Internal Control of Lu Thai Textile Co., Ltd. simultaneously disclosed on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> with the 2023 Annual Report of the Company.	
Evaluated entities' combined assets as % of consolidated total assets	82.15%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	88.12%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Great defect: (1) malpractices of the Directors, Supervisors and Senior Executives; (2) the CPA founded the current financial report occurred significant misstatement while during the implementation process of the internal control could not founded the misstatement; (3) the supervision of the Audit Committee and the internal audit institution of the Company on the internal control was invalid. (4) other defects that may cause the Company to deviate significantly from its control objectives. Significant defeat: (1) had not abide by the generally accepted accounting principles to choose and apply the accounting policies; had not built up the anti-fraud and significant counterbalance mechanism and control measures; (2) during the financial report process, there occurred single or multiple defects which not reached the recognition standard of the significant defeat but influenced the true and accurate target of the financial report. General defect: other internal control defect which had not constructed as the great defeat, significant defect.</p>	<p>Great defect: (1) seriously violated the national laws and regulations; (2) the decision-making of the enterprise was not scientific that led to the serious mistakes of itself; (3) outflow of the management personnel or the technician personnel was serious; (4) frequently appeared the negative news from the Media; (5) the significant business lacked of systematic control or the systematic control was invalid; (6) the result of the internal control assessment which was the great defect event had not been revised. Significant defeat: (1) violated the enterprise internal regulations that caused rather serious losses; (2) significant business lacked of systematic control; (3) outflow of the rather important personnel was serious; (4) the Media reported the negative news that caused rather serious negative influence; (5) rather important business lacked of systematic control or the systematic control was invalid; (6) the results of the internal control assessment which as the significant defect had not been revised. General defect: other internal control defect which had not constructed as the great defeat, significant defect.</p>
Quantitative standard	<p>Great defect: misstatement<math>\geq</math>0.4% of the total operating income; misstatement<math>\geq</math>0.4% of the total owners' equities amount; misstatement<math>\geq</math>0.3% of the total assets amount. Not insignificant: 0.2% of the total operating income;<math>\leq</math>misstatement<math>&lt;</math>0.4% of the total operating income; 0.2% of the total owners' equities amount<math>\leq</math>misstatement<math>&lt;</math>0.4% of the total owners' equities amount; 0.15% of the total assets amount<math>\leq</math>misstatement<math>&lt;</math>0.3% of the total assets amount. Insignificant: misstatement<math>&lt;</math>0.2% of the total operating</p>	<p>Great defect: losses<math>\geq</math>0.4% of the total operating income; losses<math>\geq</math>0.4% of the total owners' equities amount; losses<math>\geq</math>0.3% of the total assets amount. Great defect: 0.2% of the total operating income<math>\leq</math>losses<math>&lt;</math>0.4% of the total operating income; 0.2% of the total owners' equities amount<math>\leq</math>losses<math>&lt;</math>0.4% of the total owners' equities amount; 0.15% of the total assets amount<math>\leq</math>losses<math>&lt;</math>0.3% of the total assets amount. General defect: losses<math>&lt;</math>0.2% of the total operating income; losses<math>&lt;</math>0.2% of the</p>

	income; misstatement < 0.2% of the total owners' equities amount; misstatement < 0.15% of the total assets amount.	total owners' equities amount; losses < 0.15% of the total assets amount.
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

## 2. Independent Auditor's Report on Internal Control

Applicable  Not applicable

Opinion paragraph in the independent auditor's report on internal control	
<p>All shareholders of Lu Thai Textile Co., Ltd.:</p> <p>According to Audit Guidelines for Enterprise Internal Control and the relevant requirements of Auditing Standards for Chinese Certified Public Accountants, we have audited the effectiveness of internal control in the financial report of Lu Thai Textile Co., Ltd. (Hereinafter referred to as "Lu Thai Textile") by 31 December 2023.</p> <p>I. Responsibilities of Lu Thai Textile for internal control</p> <p>The Board of Directors of Lu Thai Textile is responsible for establishing, improving and implementation the internal controls and evaluating its effectiveness in accordance with Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control, Enterprise Internal Control Audit Guidelines.</p> <p>II. Responsibilities of certified public accountants</p> <p>It is our responsibility to issue an audit opinion on the effectiveness of internal controls in financial report on the basis of the implementation of the audit, and to disclose significant deficiencies in the internal controls of non-financial reports that have been noted.</p> <p>III. Inherent limitations of internal control</p> <p>Internal control has inherent limitations, and there is a possibility that misreporting cannot be prevented. In addition, because the change of circumstances may cause the internal control to become inappropriate or the degree of compliance with the control policies and procedures is reduced, it is risky to infer the effectiveness of the future internal control based on the audit results of the internal control.</p> <p>IV. Audit Opinion on Internal Control in Financial Report</p> <p>We believe that Lu Thai Textile Co., Ltd. kept effectively internal control on financial reporting in all respects according to Enterprise Internal Control Basic Specification and the relevant provisions on 31 December 2023.</p>	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	12 April 2024
Index to such report disclosed	For details, please refer to the Auditor's Report on Internal Control on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> at the same time of disclosing the Company's 2023 Annual Report.
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

Yes  No

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

Yes  No

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

Not applicable.

## Part V Environmental and Social Responsibility

### I Major Environmental Issues

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

Yes  No

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: 282.53t; ammonia nitrogen: 3.15t	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: 153t; ammonia	COD is 653.53t; ammonia nitrogen	No



					Company Limited	L	s in textile dyeing and finishing industry GB 4287-2012	nitrogen: 2.44t	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: 28.42t; ammonia nitrogen: 0.44t	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> : 34.92t, NO <sub>x</sub> : 12.24t, PM: 4.99t	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.

#### 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.

#### 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 RMB49,367,700 in total, among which, RMB48,367,000 for input in environment governance and protection and RMB1,000,700 for payment of environmental protection tax.

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

Applicable  Not applicable

None.

#### 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

No

#### Other related environment protection information

No

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

#### Related environmental accidents information

No

## **II Social Responsibility**

The Company has prepared the Sustainability Report 2022, and for more details, please refer to the Sustainability Report 2023 simultaneously disclosed with the Annual Report 2023.

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

Not applicable

## Part VI Significant Events

### I Fulfillment of Commitments

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

Applicable  Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in time of IPO or refinancing	Controlling shareholder, actual controller	Dilution of at sight returns on public offering of 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
	Directors and senior management of the	Dilution of at sight returns on public offering	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	23 May 2019	From 23 May 2019 to 8 April 2026	On-going

	Company	A-share convertible corporate bonds	<p>management of the Company to avoid waste or excessive consumption. Any position-related consumption behaviors of me will occur within the scope necessary for the performance of my duties.</p> <p>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>			
Other commitments	Controlling shareholder	Commitment to not reduce company share	Based on confidence in the Company's future development and value judgment, to maintain stability in the capital market, and to promote the Company's continuous, stable, and healthy development, as well as to protect the interests of the vast number of investors, the Company's	23 August 2023	23 August 2023 to 22 August 2024	On-going

	holdings within the next year	controlling shareholders commit: From the date of signing this commitment, not to reduce their holdings of the Company's shares for a period of one year, including any additional shares arising during the commitment period due to capital reserve capitalisation, distribution of stock dividends, rights issues, or additional issues, etc.			
Executed on time or not	Yes				

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

Applicable  Not applicable

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

Applicable  Not applicable

No such cases in the Reporting Period.

**III Irregularities in the Provision of Guarantees**

Applicable  Not applicable

No such cases in the Reporting Period.

**IV Explanations Given by the Board of Directors Regarding the Latest "Modified Opinion" on the Financial Statements**

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

In November 2022, MOF issued the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (C.K. [2022] No. 31) (hereinafter referred to as the "Interpretation No. 16").

Interpretation No. 16 stipulates that for single transactions that are not business combinations, that affect neither accounting profit

nor taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts should, in accordance with the *No. 18 of the Accounting Standards for Business Enterprises - Income Taxes* and other relevant regulations, be recognized as deferred income tax liabilities and deferred income tax assets, respectively, at the time of the transaction. For transactions that occurred between the beginning of the earliest period presented in the financial statements and the date of implementation of the aforementioned regulations, enterprises should, in accordance with the said regulations, adjust the cumulative effect on the opening retained earnings of the earliest period presented in the financial statements and other related financial statement items. The aforementioned accounting treatment regulations shall come into force from 1 January 2023.

For the lease liabilities and right-of-use assets recognised by the Company in its leasing operations, as well as the recognised provisions for obligations to dismantle and the corresponding assets, which generate taxable temporary differences and deductible temporary differences, adjustments are made in accordance with the provisions of Interpretation No. 16.

The impact of implementing the aforementioned accounting policies on the consolidated balance sheet as at 31 December 2023, and the consolidated income statement for the year 2023 is as follows:

Item of consolidated balance sheet (31 December 2023)	Amount affected
Deferred income tax assets	14,380,843.22
Deferred income tax liabilities	14,380,843.22

The impact of implementing the aforementioned accounting policies on the consolidated balance sheet as at 31 December 2022, and the consolidated income statement for the year 2022 is as follows:

Item of consolidated balance sheet (31 December 2022)	Before	Amount adjusted	After
Deferred income tax assets	155,774,523.25	16,366,350.08	172,140,873.33
Deferred income tax liabilities	151,243,432.80	16,366,350.08	167,609,782.88

## VII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable  Not applicable

No such cases in the Reporting Period.

## VIII Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Grant Thornton China (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'0,000)	173.5
How many consecutive years the domestic independent auditor has provided audit service for the Company	5
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Cui Xiaoli, He Feng
How many consecutive years the certified public accountants have provided audit service for the Company	4

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

Yes  No

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

Applicable  Not applicable

The Company held the 2022 Annual General Meeting on 12 May 2023 and approved the Proposal on Renewal Engagement of the 2023 Financial Audit and Internal Control Auditor and decided to renew the contract with Grant Thornton China (Special General Partnership) for 2023 financial audit and internal control affairs and paid RMB1.735 million in total for 2022 financial report audit and the internal control audit.

## **IX Possibility of Delisting after Disclosure of this Report**

Applicable  Not applicable

## **X Insolvency and Reorganization**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XI Major Legal Matters**

Applicable  Not applicable

No such cases in the Reporting Period.

## **XII Punishments and Rectifications**

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

## **XIV Major Related-Party Transactions**

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

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

### **3. Related-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.

### XV Major Contracts and Execution thereof

#### 1. Entrustment, Contracting and Leases

##### (1) Entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

##### (2) Contracting

Applicable  Not applicable

No such cases in the Reporting Period.

##### (3) Leases

Applicable  Not applicable

No such cases in the Reporting Period.

#### 2. Major Guarantees

Applicable  Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)

Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
<b>Guarantees provided by the Company for its subsidiaries</b>										
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	23,372.91	24 August 2022	280.12	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	7,082.7	30 June 2023	6,798.72	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)		7,082.7		Total actual amount of such guarantees in the Reporting Period (B2)		6,872.88				
Total approved line for such guarantees at the end of the Reporting Period (B3)		30,455.61		Total actual balance of such guarantees at the end of the Reporting Period (B4)		7,078.84				
<b>Guarantees provided between subsidiaries</b>										
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 or not

announcement									
Total guarantee amount (total of the three kinds of guarantees above)									
Total guarantee line approved in the Reporting Period (A1+B1+C1)	7,082.7	Total actual guarantee amount in the Reporting Period (A2+B2+C2)	6,872.88						
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	30,455.61	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	7,078.84						
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		0.77%							
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 shall abide by relevant disclosure requirements of the *Self-Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies No.3 - Industry Information Disclosure* on textile and garment industry.

Whether the Company provides guarantees or financial assistance for dealers

Yes  No

### 3. Cash Entrusted for Wealth Management

#### (1) Cash Entrusted for Wealth Management

Applicable  Not applicable

Overviews of cash entrusted for wealth management during the Reporting Period

RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount	Overdue amount with provision for impairment
Bank financial products	Self-owned funds	18,150	10,000	0	0
Bank financial products	Raised funds	21,700	5,000	0	0
Brokerage financial products	Self-owned funds	38,050	5,096.1	0	0
Brokerage financial	Raised funds	12,010.7	0	0	0

products					
Others	Self-owned funds	40,000	40,000	0	0
Total		129,910.7	60,096.1	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

## (2) Entrusted Loans

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Other Major Contracts

Applicable  Not applicable

No such cases in the Reporting Period.

## XVI Other Significant Events

Applicable  Not applicable

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, 2023-054 and 2023-055) and documents disclosed on 20 June 2023 and 7 July 2023 on [www.cninfo.com.cn](http://www.cninfo.com.cn).

## XVII Significant Events of Subsidiaries

Applicable  Not applicable

## Part VII Share Changes and Shareholder Information

### I Share Changes

#### 1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	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%				-9,180,075	-9,180,075	11,467,817	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%				-9,180,075	-9,180,075	11,467,817	1.33%
Among which: Shares held by domestic legal person									
Shares held by domestic natural person	20,647,892	2.33%				-9,180,075	-9,180,075	11,467,817	1.33%
4. Shares held by other foreign investors							0		
Among which: Shares held by foreign corporations							0		
Shares held by foreign natural person							0		
II. Unrestricted shares	866,985,259	97.67%				-14,845,442	-14,845,442	852,139,817	98.67%
1. RMB ordinary shares	570,804,568	64.31%				9,090,306	9,090,306	579,894,874	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							0		
4. Other							0		

III. Total shares	887,633,151	100.00 %				-24,025,517	-24,025,517	863,607,634	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 231 shares in the period from the beginning of 2023 to 31 December 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 90,000 shares of equity incentive restricted shares were repurchased and cancelled.

⑤ The shares held by the directors, supervisors and senior management 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 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.

③ 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.

④ On 10 April 2023, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition* was deliberated and approved at the 7th Meeting of the 10th Board of Directors of the Company, as seven of the incentive personnel of the 2021 restricted share incentive scheme no longer met the condition of being incentive personnel due to resignation, retirement, or position changes. The restricted shares held by the seven personnel with a volume of 90,000 shares, which were authorized but not lifted from restricted sales, shall be repurchased and cancelled by the Company in accordance with the *2021 Restricted Share Incentive Scheme* (hereinafter referred to as the "Incentive Scheme") of the Company and relevant provisions of laws and regulation. The aforesaid matters were deliberated and approved at the General Meeting of the Company in 2022 that was held on 12 May 2023.

Transfer of share ownership:

Applicable  Not applicable

The Company completed the formalities for cancellation of the 23,935,748 repurchased B-shares and 90,000 shares of equity incentive restricted shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited respectively on 25 May 2023 and 12 July 2023.

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

Applicable  Not applicable

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

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

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

Unit: share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares increased of the period	Restricted shares relieved of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
Zhang Zhanqi	485,225	140,000	190,000	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
Wang Jiabin	287,775	115,925	90,000	313,700	Locked public shares held by senior management and Restricted shares from equity incentive	90000 shares on 8 June 2023
Yu Shouzheng	312,325	85,000	110,000	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	85,000	110,000	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
Shang Chenggang	272,500	85,000	110,000	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
Guo Heng	250,000	85,000	110,000	225,000	Locked public shares held by senior management and Restricted shares	50000 shares on 9 May 2023 and 60000 shares on 8 June 2023

					from equity incentive	
Li Wenji	257,500	47,500	110,000	195,000	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
Du Lixin	250,000	47,500	110,000	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
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
Xu Feng	190,000	47,500	95,000	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
Other restricted shareholders	17,884,292		8,793,500	9,000,792	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; while 90000 shares were cancelled on 12 July 2023
<b>Total</b>	<b>20,647,892</b>	<b>808,425</b>	<b>9,898,500</b>	<b>11,467,817</b>	<b>--</b>	<b>--</b>

## II. Issuance and Listing of Securities

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

Applicable  Not applicable

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

Applicable  Not applicable

At the beginning of 2023, the Company possessed 887,633,151 shares in total (591,395,010 A shares and 296,238,141 B shares inclusive). 23,935,748 domestically listed foreign shares (B shares) were repurchased and cancelled On 25 May 2023. The repurchasing and cancelling 90,000 shares of equity incentive restricted stock was completed on 12 July 2023. Because of Lu Thai convertible bonds were cumulatively converted into 231 A-shares from 1 January 2023 to 31 December 2023. By 31 December



2023, the Company possessed 863,607,634 shares in total (591,305,241 A shares and 272,302,393 B shares inclusive), which had no significant impact on the Company's assets and liability structure.

### 3. Existing Staff-Held Shares

Applicable  Not applicable

## III Shareholders and Actual Controller

### 1. Total Number of Shareholders and Their Shareholdings

Unit: share

Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge, marked or frozen	
							Status	Shares
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	16.25%	140,353,583	0	0	140,353,583	N/A	0
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.69%	118,232,400	0	0	118,232,400	N/A	0
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.30%	19,884,100	0	0	19,884,100	N/A	0
National Social Security Fund Portfolio 413	Other	1.64%	14,190,051	930,000	0	14,190,051	N/A	0
ICBC Credit Suisse Innovation Power Stock Type Securities Investment Fund	Other	1.38%	11,910,000	6,810,000	0	11,910,000	N/A	0
ICBC Credit Suisse Selected Balanced Mixed Securities Investment Fund	Other	0.84%	7,230,000	7,230,000	0	7,230,000	N/A	0

Dongfanghong Zhihua Three-Year Holding Mixed Securities Investment Fund	Other	0.75%	6,451,750	6,451,750	0	6,451,750	N/A	0
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	Foreign legal person	0.72%	6,200,183	1,576,809	0	4,623,374	N/A	0
Dongfanghong Dingyuan 3-Month Fixed Term Open Mixed Initiating Securities Investment Fund	Other	0.61%	5,276,400	5,276,400	0	5,276,400	N/A	0
Dacheng China Securities Asset Management Plan	Other	0.60%	5,144,200	-91,700	0	5,144,200	N/A	0
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 10)	As of 31 December 2023, there are 37,723,945 shares in the special repurchase account of the Company							
Top 10 unrestricted shareholders								
Name of shareholder	Unrestricted shares held at the period-end					Shares by type		
						Type	Shares	
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583					RMB ordinary share	140,353,583	
Tailun (Thailand) Textile Co., Ltd.	118,232,400					Domestically listed	118,232,400	

		foreign shares	
Central Huijin Assets Management Co., Ltd.	19,884,100	RMB ordinary share	19,884,100
National Social Security Fund Portfolio 413	14,190,051	RMB ordinary share	14,190,051
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 Investment Fund	7,230,000	RMB ordinary share	7,230,000
Dongfanghong Zhihua Three-Year Holding Mixed Securities Investment Fund	6,451,750	RMB ordinary share	6,451,750
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	6,200,183	Domestically listed foreign shares	6,200,183
Dongfanghong Dingyuan 3-Month Fixed Term Open Mixed Initiating Securities Investment Fund	5,276,400	RMB ordinary share	5,276,400
Dacheng China Securities Asset Management Plan	5,144,200	RMB ordinary share	5,144,200
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder 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.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	Naught		

Top 10 shareholders involved in refinancing shares lending

Applicable  Not applicable

Changes in shares that the top 10 shareholders lend in refinancing compared with the prior period

Applicable  Not applicable

Unit: share

Changes in shares that the top 10 shareholders lend in refinancing compared with the end of the prior period					
Full name of shareholder	Increase/decrease in the Reporting Period	Shares lent in refinancing and not yet returned at the period-end		Shares in the common account and credit account plus shares lent in refinancing and not yet returned at the period-end	
		Total shares	As % of total share capital	Total shares	As % of total share capital
GF Fund-ABC- GF China Securities Asset Management Plan	Decrease	0	0.00%	4,833,300	0.56%
Harvest Fund-ABC-	Decrease	0	0.00%	3,674,700	0.43%

Harvest China Securities Asset Management Plan					
Yinhua Fund-ABC- Yinhua China Securities Asset Management Plan	Decrease	0	0.00%	4,320,212	0.50%
CCB- ICBC Credit Suisse Selected Balanced Mixed Securities Investment Fund	Increase	0	0.00%	7,230,000	0.84%
CCB- Dongfanghong Zhihua Three-Year Holding Mixed Securities Investment Fund	Increase	0	0.00%	6,451,750	0.75%
Shanghai Pudong Development Bank Co., Ltd.- Dongfanghong Dingyuan 3-Month Fixed Term Open Mixed Initiating Securities Investment Fund	Increase	0	0.00%	5,276,400	0.61%

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

Yes  No

No such cases in the Reporting Period.

## 2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a natural person

Type of the controlling shareholder: legal person

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

Change of the controlling shareholder in the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

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

Nature of the actual controller: Domestic natural person

Type of the actual controller: natural person

Name of the actual controller	Relations with the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
Liu Zibin	In person	China	No

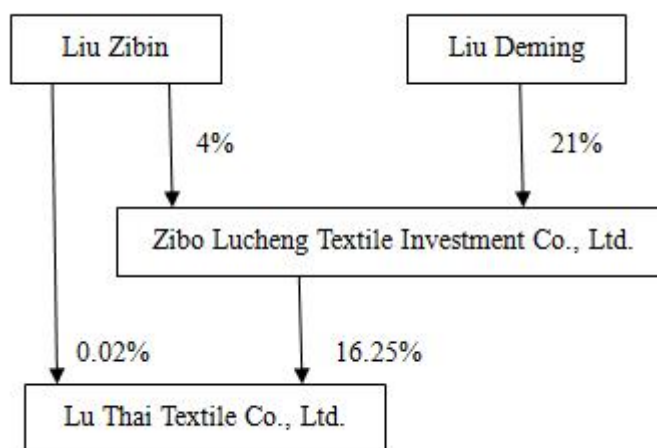
Liu Deming	Concerted action (including agreement, relatives, and same control)	China	No
Professions and titles	Liu Zibin is the Chairman of the Board and President of Lu Thai Textile Co., Ltd. , Liu Deming is the Chairman of the Board and GM of Zibo Lucheng Textile Investment Co., Ltd.		
Particulars about listed companies with shares ever held by the actual controller over the past 10 years	N/A		

Change of the actual controller during the Reporting Period:

Applicable  Not applicable

No such cases in the Reporting Period.

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



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

Applicable  Not applicable

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

Applicable  Not applicable

#### 5. Other 10% or Greater Corporate Shareholders

Applicable  Not applicable

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

Applicable  Not applicable

### IV Specific Implementation of Share Repurchase during the Reporting Period

Progress on any share repurchase

Applicable  Not applicable

Disclosure	Shares	As % of total	Amount	Period	Usage	Shares	Number of
------------	--------	---------------	--------	--------	-------	--------	-----------

time of the plan	intended to be repurchased (share)	share capital				repurchased (share)	repurchased shares as a percentage of the underlying shares covered by the equity incentive plan (if any)
7 July 2023	27000000-54000000	3.13%-6.25%	Not exceeding RMB20,000	6 July 2023 to 5 July 2024	Canceled	37,723,945	0.00%

Progress on reducing the repurchased shares by means of centralized bidding

Applicable  Not applicable

## **Part VIII Preference Shares**

Applicable  Not applicable

No preference shares in the Reporting Period.

## Part IX Bonds

Applicable  Not applicable

### I Enterprise Bonds

Applicable  Not applicable

No enterprise bonds in the Reporting Period.

### II Corporate Bonds

Applicable  Not applicable

No corporate bonds in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

### IV Convertible Corporate Bonds

Applicable  Not applicable

#### 1. Previous Adjustments of Conversion Price

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

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

On 3 June 2021, the Company completed the registration of first-granted restricted stocks of restricted share incentive scheme at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (China Clear). 7 June 2021 is designated as the



listing date of first-granted restricted stocks of the Company in 2021. The Company grants 750 subjects of incentive 24,285,000 restricted shares at a price of RMB3.31 per share, accounting for 2.83% of total share capital of the Company. The source of the stock is RMB A-share ordinary shares issued by the Company to subjects of incentive. Therefore, the conversion price of Lu Thai Convertible Bond will be adjusted from RMB8.91 per share to RMB8.76 per share, with the adjusted conversion price coming into force from 7 June 2021.

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

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.

The Company completed the formalities for cancellation of the 46,176,428 repurchased B shares at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 1 March 2024. 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 RMB8.63 per share to RMB8.87 per share. The adjusted conversion price came into force on 4 March 2024.

## 2. Accumulative Conversion

Applicable  Not applicable

Abbreviation	Start date	Total circulation (piece)	Total amount (RMB)	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	2020-10-15	14,000,000	1,400,000,000.00	150,600.00	16,841	0.00%	1,399,849,400.00	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	Fuguo Fumin Fixed Income Pension Product - China Construction Bank Corporation	Other	673,269	67,326,900.00	4.81%
3	Shanghai Pudong Development Bank Co., Ltd. - E Fund Yuxiang Return Bond Securities Investment Bond	Other	485,552	48,555,200.00	3.47%
4	China Merchants Bank Co., Ltd. - Dongfanghong Juli Bond Securities Investment Fund	Other	347,356	34,735,600.00	2.48%
5	Agricultural Bank of China - Essence Target Income Bond Securities Investment Fund	Other	255,699	25,569,900.00	1.83%
6	Industrial and Commercial Bank of China- Fuguo Tianli Growth Bond Investment Fund	Other	239,115	23,911,500.00	1.71%
7	Industrial and Commercial Bank of China- Huitianfu Dual-Profit Bond-Type Securities Investment Fund	Other	236,709	23,670,900.00	1.69%
8	Basic Endowment Insurance Fund (Portfolio 102)	Other	232,561	23,256,100.00	1.66%
9	Huatai Yousheng Convertible Bond Fixed Income Pension Product - China Merchants Bank Co., Ltd.	Other	228,990	22,899,000.00	1.64%
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%

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

Applicable  Not applicable

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

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

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

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

Applicable  Not applicable

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

Applicable  Not applicable

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

Yes  No

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

Unit: RMB'0,000

Item	Period-end	The end of last year	Increase/decrease
Current ratio	3.43	2.99	14.72%
Asset-liability ratio	28.39%	29.53%	-1.14%
Quick ratio	2.12	1.86	13.98%
	Reporting Period	Same period of last year	YoY increase/decrease
Net profit after deducting non-recurring profit or loss	38,613.54	79,547.4	-51.46%
Debt/EBITDA ratio	41.97%	66.20%	-24.23%
Interest cover (times)	5.29	11.25	-52.98%
Cash-to-interest cover (times)	8.82	14.43	-38.88%
EBITDA interest coverage ratio	10.40	15.94	-34.76%
Rate of redemption	100.00%	100.00%	0.00%
Interest coverage	100.00%	100.00%	0.00%

## Part X Financial Statements

### I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	10 April 2024
Name of the independent auditor	Grant Thornton China (Special General Partnership)
No. of independent auditor's report	Grant Thornton SZ (2024) No. 371A008683
Name of the certified public accountants	He Feng, Cui Xiaoli

Text of the Independent Auditor's Report

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

##### I Opinion

We have audited the financial statements of Lu Thai Textile Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and parent company balance sheets as of 31 December 2023, the consolidated and parent company statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2023, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

##### II Basis for Opinion

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

##### III Key Audit Matters

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

###### (I) Recognition of revenue

For details, please refer to the Note III-27 and the Note V-46 of the financial report.

###### 1. Item description

The businesses of Lu Thai Textile Co., Ltd. mainly are production and sales of yarn-dyed fabrics and shirts. The operation revenue of the Company in 2023 was RMB5,961,477,300, of which export income accounted for over 50%. For the income from domestic sales, the amount of product sales income is recognized when the products are delivered to and confirmed by the purchaser according to the contract. The income is recognized when the purchaser obtains control of the product. For the income from export sales, the amount of sales income is recognized when products are declared and depart from port according to the contract, and the bill of lading is received. The income is recognized when the purchaser obtains control of the product.

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

## 2. Audit response

The audit procedures for revenue recognition mainly include:

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

### (II) Inventory falling price reserves

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

#### 1. Item description

As of 31 December 2023, the inventory balance of Lu Thai Textile Co., Ltd. was RMB2,365,378,300 and the inventory depreciation reserve was RMB241,238,700. The management withdrew the inventory falling price reserves with significant judgments and estimates, and therefore, we identify inventory falling price reserves as a key audit item.

## 2. Audit response

The audit procedures for inventory falling price reserves mainly include:

- (1) Understand and evaluate the design effectiveness of the internal control related to the provision of inventory decline price, and test the effectiveness of operation;
- (2) Understand and evaluate the appropriateness of the company's inventory depreciation reserve provision policy;
- (3) Monitor the inventory and pay attention to the status of the inventory, check whether the defective and inventory with long aging have been identified;
- (4) Obtain the inventory age table, and conduct an analytical review of the long-age inventory status and turnover;
- (5) Check the changes in the inventory depreciation reserves accrued in previous years and evaluate the rationality of the changes in inventory depreciation reserves;
- (6) Obtain the inventory falling price reserves calculation sheet; recheck and evaluate the rationality of major estimations made by the management during the determination of net realizable value; conduct the recalculation, check the selling price after the period and analyze the rationality of the predicted selling price.

### (III) Assessment of fair value of financial assets measured at fair value and changes included in current profit or loss

Please refer to Notes to Financial Statements (Note III 11 and Note V 2, 11 and 54) for details about relevant information disclosure.

#### 1. Event Description

Up to 31 December 2023, the balance of financial asset measured based on the fair value whose variations were included the current profit and loss of Lu Thai Textiles was RMB812,550,300, of which, the fair value of financial assets, which are classified as Level 1 input values using quotations from active markets for identical assets, was RMB294,181,300, the fair value of financial asset classified into the tier-2 input value by adopting the observable input value was RMB429,619,000, and the fair value of financial asset classified into the tier-3 input value by adopting the non-observable input value was RMB88,750,000. Considering that the financial asset's fair value variations had significant impact on the profit and loss of Lu Thai Textiles in 2023, and Lu Thai Textiles adopted the valuation technique to determine its fair value (usually, the valuation technique involves various assumptions and estimations based on subjective judgment, and huge difference in the estimated fair value of financial instrument may be caused by adopting different valuation techniques or assumptions), we recognized the event as the key audit event.

#### 2. Audit response

Our audit procedures geared to the evaluation of the withdrawal of financial instrument's fair value mainly include:

- (1) Study and evaluate the effectiveness of the designed internal control for the valuation of financial instruments and test the operational effectiveness;
- (2) Assess the professional quality, competence and objectiveness of the independent appraiser employed by the Company's management; evaluate the rationality of various assumptions applied by the independent appraiser in the evaluation report and the appropriateness of the financial instrument valuation models;
- (3) Assess the rationality and appropriateness of the observable key input value applied during the valuation of the tier-2 fair value;
- (4) Recheck the rationality, appropriateness and calculation accuracy of the key input value during the fair value assessment for the tier-3 financial instrument measured based the fair value and involving the management's major judgment.

### **IV Other Information**

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2023 Annual Report other than the financial statements and our auditor's report thereon.

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

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

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

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

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

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the

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

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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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

communication.

Grant Thornton China (Special General Partnership)	Chinese CPA (Engagement Partner):  Chinese CPA:	
Beijing · China	10 April 2024	

## II Financial Statements

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

### 1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

31 December 2023

Unit: RMB

Item	31 December 2023	1 January 2023
Current assets:		
Monetary assets	1,558,252,048.03	2,067,768,253.97
Held-for-trading financial assets	723,800,275.39	267,695,159.48
Notes receivable	99,642,708.67	168,755,715.84
Accounts receivable	826,467,684.78	660,427,526.19
Accounts receivable financing	18,248,205.76	11,208,304.78
Prepayments	51,863,447.56	95,021,598.32
Other receivables	22,168,807.43	89,855,659.99
Including: Interest receivable		
Dividends receivable		18,563,298.39
Inventories	2,124,139,574.70	2,107,849,708.33
Contract assets		
Assets held for sale		
Current portion of non-current assets		
Other current assets	145,112,114.03	76,847,903.07
Total current assets	5,569,694,866.35	5,545,429,829.97
Non-current assets:		
Long-term receivables		
Long-term equity investments	143,537,479.77	184,168,625.69
Investments in other equity instruments		
Other non-current financial assets	88,750,000.00	337,110,000.00
Investment property	19,578,175.93	20,460,935.21



Fixed assets	5,597,692,505.07	5,807,847,850.67
Construction in progress	868,496,878.41	199,943,501.73
Right-of-use assets	463,226,419.21	481,420,505.31
Intangible assets	343,347,879.42	352,889,578.06
Development costs		
Goodwill	20,563,803.29	20,563,803.29
Long-term prepaid expense	1,815,838.60	2,948,981.97
Deferred income tax assets	157,892,110.06	155,774,523.25
Other non-current assets	155,690,266.83	242,539,466.88
Total non-current assets	7,860,591,356.59	7,805,667,772.06
Total assets	13,430,286,222.94	13,351,097,602.03
Current liabilities:		
Short-term borrowings	580,704,772.27	518,946,415.96
Held-for-trading financial liabilities	46,785,831.47	4,276,929.70
Notes payable		55,450,000.00
Accounts payable	275,502,915.05	246,588,463.74
Advances from customers		
Contract liabilities	188,073,335.89	206,879,672.53
Employee benefits payable	284,344,973.72	330,027,159.72
Taxes payable	42,633,232.55	31,483,442.06
Other payables	47,549,373.52	83,357,296.71
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities	96,207,192.49	307,921,837.35
Other current liabilities	63,646,908.11	66,889,025.17
Total current liabilities	1,625,448,535.07	1,851,820,242.94
Non-current liabilities:		
Long-term borrowings	259,992,974.40	186,431,096.24
Bonds payable	1,476,572,070.79	1,438,162,231.27
Lease liabilities	86,580,224.41	98,501,303.83
Long-term payables		
Long-term employee benefits payable	57,276,675.61	57,417,997.65
Provisions		
Deferred income	151,768,947.92	159,615,037.36
Deferred income tax liabilities	155,178,797.04	151,243,432.80
Other non-current liabilities		
Total non-current liabilities	2,187,369,690.17	2,091,371,099.15
Total liabilities	3,812,818,225.24	3,943,191,342.09
Owners' equity:		
Share capital	863,607,634.00	887,633,151.00

Other equity instruments	71,383,677.78	71,383,830.75
Including: Preferred shares		
Perpetual bonds		
Capital reserves	334,792,614.76	395,872,135.71
Less: Treasury stock	193,438,720.78	154,396,198.73
Other comprehensive income	131,343,141.63	107,628,898.09
Specific reserve		
Surplus reserves	1,260,661,015.34	1,215,124,336.54
General reserve		
Retained earnings	6,762,457,543.07	6,490,910,719.35
Total equity attributable to owners of the Company as the parent	9,230,806,905.80	9,014,156,872.71
Non-controlling interests	386,661,091.90	393,749,387.23
Total owners' equity	9,617,467,997.70	9,407,906,259.94
Total liabilities and owners' equity	13,430,286,222.94	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	31 December 2023	1 January 2023
Current assets:		
Monetary assets	932,232,103.80	1,493,189,218.38
Held-for-trading financial assets	446,874,251.41	14,782,050.00
Derivative financial assets		
Notes receivable	54,622,178.42	99,348,764.36
Accounts receivable	356,483,425.59	357,917,050.71
Accounts receivable financing	11,214,873.48	4,977,876.31
Prepayments	21,426,761.45	52,932,385.24
Other receivables	2,064,459,414.54	1,982,595,534.99
Including: Interest receivable		
Dividends receivable		18,563,298.39
Inventories	955,634,154.13	1,032,571,546.29
Contract assets		
Available-for-sale assets		
Current portion of non-current assets		
Other current assets	2,443,246.51	12,117,078.06
Total current assets	4,845,390,409.33	5,050,431,504.34
Non-current assets:		
Long-term receivables		
Long-term equity investments	3,579,497,806.27	3,069,423,182.09
Investments in other equity instruments		

Other non-current financial assets	76,750,000.00	325,110,000.00
Investment property	64,745,052.00	68,234,288.24
Fixed assets	2,048,332,131.98	2,239,204,199.53
Construction in progress	3,320,771.05	14,457,725.94
Right-of-use assets	90,043,845.90	102,526,417.74
Intangible assets	197,852,690.71	203,872,938.32
Development costs		
Goodwill		
Long-term deferred expenses	689,403.73	1,124,816.52
Deferred income tax assets	80,728,077.79	70,230,669.83
Other non-current assets	153,767,959.47	180,305,870.74
Total non-current assets	6,295,727,738.90	6,274,490,108.95
Total assets	11,141,118,148.23	11,324,921,613.29
Current liabilities:		
Short-term borrowings	3,180,000.00	73,701,088.21
Notes payable		213,094,435.63
Accounts payable	108,266,517.50	100,586,843.48
Advances from customers		
Contract liabilities	106,140,758.76	91,983,662.84
Payroll payable	188,784,236.01	231,917,717.02
Taxes payable	23,490,180.58	9,698,693.68
Other payables	133,819,575.89	164,914,178.73
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Held-for-sale liabilities		
Current portion of non-current liabilities	95,832,728.97	307,273,908.99
Other current liabilities	44,293,993.88	42,075,638.45
Total current liabilities	703,807,991.59	1,235,246,167.03
Non-current liabilities:		
Long-term borrowings	259,992,974.40	186,431,096.24
Bonds payable	1,476,572,070.79	1,438,162,231.27
Lease liabilities	89,388,836.15	100,877,929.66
Long-term payables		
Long-term payroll payable	57,276,675.61	57,417,997.65
Provisions		
Deferred income	114,149,056.16	119,562,568.94
Deferred income tax liabilities	120,804,925.25	112,945,049.91
Other non-current liabilities		
Total non-current liabilities	2,118,184,538.36	2,015,396,873.67
Total liabilities	2,821,992,529.95	3,250,643,040.70

Owners' equity:		
Share capital	863,607,634.00	887,633,151.00
Other equity instruments	71,383,677.78	71,383,830.75
Including: Preferred shares		
Perpetual bonds		
Capital reserves	396,172,649.00	457,252,169.95
Less: Treasury stock	193,438,720.78	154,396,198.73
Other comprehensive income	-41,439.79	-30,162.34
Specific reserve		
Surplus reserves	1,257,552,275.70	1,212,015,596.90
Retained earnings	5,923,889,542.37	5,600,420,185.06
Total owners' equity	8,319,125,618.28	8,074,278,572.59
Total liabilities and owners' equity	11,141,118,148.23	11,324,921,613.29

### 3. Consolidated Income Statement

Unit: RMB

Item	2023	2022
1. Revenue	5,961,477,252.98	6,938,342,135.90
Including: Operating revenue	5,961,477,252.98	6,938,342,135.90
2. Costs and expenses	5,430,655,421.05	5,884,547,175.68
Including: Cost of sales	4,591,388,915.40	5,154,367,596.90
Taxes and surcharges	63,259,971.00	69,467,165.08
Selling expense	148,454,814.21	136,929,096.72
Administrative expense	382,327,532.79	396,309,634.39
Development cost	239,775,343.18	276,424,812.26
Finance costs	5,448,844.47	-148,951,129.67
Including: Interest expense	86,305,243.50	88,644,208.75
Interest income	51,052,872.64	49,863,731.95
Add: Other income	45,126,894.28	49,142,717.20
Return on investment ("-" for loss)	39,364,608.46	13,734,073.31
Including: Share of profit or loss of joint ventures and associates	-9,556,170.35	28,049,040.53
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)	-65,020,725.14	169,192,724.92
Credit impairment loss ("-" for loss)	-2,300,057.75	-18,134,328.11
Asset impairment loss ("-" for loss)	-105,876,786.52	-186,305,963.36
Asset disposal income ("-" for loss)	-9,123,336.47	912,625.90
3. Operating profit ("-" for loss)	432,992,428.79	1,082,336,810.08

Add: Non-operating income	9,347,696.19	8,056,548.73
Less: Non-operating expense	5,146,681.99	11,007,935.46
4. Profit before tax (“-” for loss)	437,193,442.99	1,079,385,423.35
Less: Income tax expense	40,841,005.37	105,623,060.81
5. Net profit (“-” for net loss)	396,352,437.62	973,762,362.54
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	396,352,437.62	973,762,362.54
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	403,444,254.42	963,864,819.43
5.2.2 Net profit attributable to non-controlling interests	-7,091,816.80	9,897,543.11
6. Other comprehensive income, net of tax	23,717,765.01	144,092,458.68
Attributable to owners of the Company as the parent	23,714,243.54	144,052,646.46
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	23,714,243.54	144,052,646.46
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	23,714,956.57	143,850,902.02
6.2.7 Other	-713.03	201,744.44
Attributable to non-controlling interests	3,521.47	39,812.22
7. Total comprehensive income	420,070,202.63	1,117,854,821.22
Attributable to owners of the Company as the parent	427,158,497.96	1,107,917,465.89
Attributable to non-controlling interests	-7,088,295.33	9,937,355.33
8. Earnings per share		
8.1 Basic earnings per share	0.47	1.10
8.2 Diluted earnings per share	0.42	0.95

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	2023	2022
1. Operating revenue	3,427,661,629.75	4,207,250,282.21
Less: Cost of sales	2,657,436,337.48	3,167,800,915.91
Taxes and surcharges	40,216,738.61	48,152,045.75
Selling expense	100,621,317.61	98,346,509.45
Administrative expense	201,565,813.64	273,742,666.38
R&D expense	157,866,751.74	186,084,341.76
Finance costs	-19,059,608.38	-171,451,099.25
Including: Interest expense	44,494,486.25	21,891,357.83
Interest income	33,971,447.09	34,599,913.21
Add: Other income	20,954,801.42	22,189,971.41
Return on investment (“-” for loss)	217,442,278.85	149,933,954.32
Including: Share of profit or loss of joint ventures and associates	-9,556,170.35	28,049,040.53
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)	-17,222,836.45	160,554,050.00
Credit impairment loss (“-” for loss)	6,673,149.93	-2,217,796.79
Asset impairment loss (“-” for loss)	-48,963,959.94	-81,729,018.43
Asset disposal income (“-” for loss)	-43,734.52	182,029.49
2. Operating profit (“-” for loss)	467,853,978.34	853,488,092.21
Add: Non-operating income	7,022,950.83	6,621,289.52
Less: Non-operating expense	1,850,658.24	6,748,987.44
3. Profit before tax (“-” for loss)	473,026,270.93	853,360,394.29
Less: Income tax expense	17,659,482.92	78,265,437.44
4. Net profit (“-” for net loss)	455,366,788.01	775,094,956.85
4.1 Net profit from continuing operations (“-” for net loss)	455,366,788.01	775,094,956.85
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-11,277.45	263,417.90
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	-11,277.45	263,417.90
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	-11,277.45	263,417.90
6. Total comprehensive income	455,355,510.56	775,358,374.75
7. Earnings per share		
7.1 Basic earnings per share	0.53	0.88
7.2 Diluted earnings per share	0.49	0.79

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	2023	2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	5,492,424,305.68	7,001,597,756.89
Tax rebates	125,496,730.53	166,814,030.33
Cash generated from other operating activities	115,366,461.66	50,207,676.76
Subtotal of cash generated from operating activities	5,733,287,497.87	7,218,619,463.98
Payments for commodities and services	3,008,274,838.63	3,927,652,179.15
Cash paid to and for employees	1,565,653,879.04	1,548,156,910.96
Taxes paid	146,230,769.74	182,308,141.79
Cash used in other operating activities	158,263,473.04	138,191,457.82
Subtotal of cash used in operating activities	4,878,422,960.45	5,796,308,689.72
Net cash generated from/used in operating activities	854,864,537.42	1,422,310,774.26
2. Cash flows from investing activities:		
Proceeds from disinvestment	9,465,141,937.71	133,323,521.50
Return on investment	57,805,732.66	34,285,319.99
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	6,391,414.47	7,324,525.46
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	153,332,756.55	89,213,325.33
Subtotal of cash generated from investing activities	9,682,671,841.39	264,146,692.28
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	846,768,782.56	503,584,860.31
Payments for investments	9,664,068,682.71	359,556,504.86
Cash used in other investing activities	125,073,907.21	118,661,325.53
Subtotal of cash used in investing activities	10,635,911,372.48	981,802,690.70
Net cash generated from/used in investing activities	-953,239,531.09	-717,655,998.42

3. Cash flows from financing activities:		
Capital contributions received		19,086,927.80
Including: Capital contributions by non-controlling interests to subsidiaries		
Borrowings raised	1,289,625,206.43	1,326,434,596.95
Cash generated from other financing activities	98,800.40	
Subtotal of cash generated from financing activities	1,289,724,006.83	1,345,521,524.75
Repayment of borrowings	1,345,902,236.09	2,118,703,417.56
Interest and dividends paid	140,337,440.33	114,018,478.84
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities	191,144,339.52	107,326,619.83
Subtotal of cash used in financing activities	1,677,384,015.94	2,340,048,516.23
Net cash generated from/used in financing activities	-387,660,009.11	-994,526,991.48
4. Effect of foreign exchange rates changes on cash and cash equivalents	16,753,038.55	142,762,600.91
5. Net increase in cash and cash equivalents	-469,281,964.23	-147,109,614.73
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	1,353,615,305.93	1,822,897,270.16

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

Unit: RMB

Item	2023	2022
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,400,282,767.04	4,230,164,898.24
Tax rebates	18,736,021.12	35,115,485.51
Cash generated from other operating activities	104,254,111.11	46,602,876.06
Subtotal of cash generated from operating activities	3,523,272,899.27	4,311,883,259.81
Payments for commodities and services	2,159,792,398.75	2,204,442,463.82
Cash paid to and for employees	800,852,277.47	867,417,441.71
Taxes paid	76,441,020.56	124,452,272.83
Cash used in other operating activities	81,704,187.26	87,964,680.84
Subtotal of cash used in operating activities	3,118,789,884.04	3,284,276,859.20
Net cash generated from/used in operating activities	404,483,015.23	1,027,606,400.61
2. Cash flows from investing activities:		
Proceeds from disinvestment	9,682,135,302.71	473,611,167.77
Return on investment	224,820,810.27	186,817,055.74
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	27,474,017.14	32,427,869.91
Net proceeds from the disposal of subsidiaries and other business units		



Cash generated from other investing activities	2,278,859,489.72	2,254,482,395.37
Subtotal of cash generated from investing activities	12,213,289,619.84	2,947,338,488.79
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	39,152,926.47	143,565,978.32
Payments for investments	10,390,555,710.00	662,467,290.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	2,206,901,511.31	2,002,472,544.95
Subtotal of cash used in investing activities	12,636,610,147.78	2,808,505,813.27
Net cash generated from/used in investing activities	-423,320,527.94	138,832,675.52
3. Cash flows from financing activities:		
Capital contributions received		19,086,927.80
Borrowings raised	287,145,597.90	592,777,524.65
Cash generated from other financing activities	90,098,800.40	154,870,600.00
Subtotal of cash generated from financing activities	377,244,398.30	766,735,052.45
Repayment of borrowings	485,589,548.34	1,357,097,218.44
Interest and dividends paid	119,661,804.52	100,075,384.31
Cash used in other financing activities	274,154,122.94	191,679,488.04
Subtotal of cash used in financing activities	879,405,475.80	1,648,852,090.79
Net cash generated from/used in financing activities	-502,161,077.50	-882,117,038.34
4. Effect of foreign exchange rates changes on cash and cash equivalents	2,858,399.67	21,810,782.76
5. Net increase in cash and cash equivalents	-518,140,190.54	306,132,820.55
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	765,705,926.26	1,283,846,116.80

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

2023

Unit: RMB

Item	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															
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)	-24,025,517.00			-152.97	- 61,079,52 0.95	39,042,52 2.05	23,714,24 3.54		45,536,67 8.80		271,546,8 23.72	216,650,033.09	- 7,088,295 .33	209,561,7 37.76
3.1 Total comprehe nsive income							23,714,24 3.54				403,444,2 54.42	427,158,497.96	- 7,088,295 .33	420,070,2 02.63
3.2 Capital increased and reduced by owners	-24,025,517.00			-152.97	- 61,079,52 0.95	39,042,52 2.05						- 124,147,712.97		- 124,147,7 12.97
3.2.1 Ordinary shares increased by sharehold ers	-24,025,517.00				- 76,058,49 2.62							- 100,084,009.62		- 100,084,0 09.62
3.2.2 Capital increased by holders of other equity instrumen ts														
3.2.3 Share- based payments included in owners’ equity					16,824,11 4.86							16,824,114.86		16,824,11 4.86
3.2.4				-152.97	-	39,042,52						-40,887,818.21		-

Other					1,845,143 .19	2.05									40,887,81 8.21
3.3 Profit distributi on									45,536,67 8.80		- 131,897,4 30.70		-86,360,751.90		- 86,360,75 1.90
3.3.1 Appropri ation to surplus reserves									45,536,67 8.80		- 45,536,67 8.80				
3.3.2 Appropri ation to general reserve															
3.3.3 Appropri ation to owners (or sharehold ers)											- 86,360,75 1.90		-86,360,751.90		- 86,360,75 1.90
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from															

surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period								6,075,563.41					6,075,563.41		6,075,563.41
3.5.2 Used in the period								-6,075,563.41					-6,075,563.41		-6,075,563.41
3.6 Other															

4. Balances as at the end of the period	863,607,634.00			71,383,677.78	334,792,614.76	193,438,720.78	131,343,141.63		1,260,661,015.34		6,762,457,543.07		9,230,806,905.80	386,661,091.90	9,617,467,997.70
---	----------------	--	--	---------------	----------------	----------------	----------------	--	------------------	--	------------------	--	------------------	----------------	------------------

2022

Unit: RMB

Item	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 income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal			
	Preferr ed shares	Perpet ual bonds	Other													
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																
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)	5,291,856.00			-826.09	55,284,7 48.06	75,487,8 98.73	144,052, 646.46				901,708, 946.98		1,030,849,47 2.68	9,937,35 5.33	1,040,78 6,828.01
3.1 Total comprehe nsive income							144,052, 646.46				963,864, 819.43		1,107,917,46 5.89	9,937,35 5.33	1,117,85 4,821.22
3.2 Capital increased and reduced by owners	5,291,856.00			-826.09	55,284,7 48.06	75,487,8 98.73							14,912,120.7 6	-	14,912,1 20.76
3.2.1 Ordinary shares increased by sharehold ers	5,291,856.00				13,743,1 93.13								19,035,049.1 3		19,035,0 49.13
3.2.2 Capital increased by holders of other equity instrume nts															
3.2.3 Share- based payments included in owners’					39,975,6 78.06								39,975,678.0 6		39,975,6 78.06

equity																
3.2.4 Other				-826.09	1,565,87 6.87	75,487,8 98.73							73,922,847.9 5		- 73,922,8 47.95	
3.3 Profit distributi on													62,155,8 72.45		- 62,155,872.4 5	- 62,155,8 72.45
3.3.1 Appropri ation to surplus reserves																
3.3.2 Appropri ation to general reserve																
3.3.3 Appropri ation to owners (or sharehold ers)													62,155,8 72.45		- 62,155,872.4 5	- 62,155,8 72.45
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 transfere d to retained earnings															
3.4.5 Other comprehe nsive income transfere d to retained earnings															
3.4.6 Other															
3.5 Specific reserve															

3.5.1 Increase in the period								5,414,407.96					5,414,407.96		5,414,407.96
3.5.2 Used in the period								-5,414,407.96					-5,414,407.96		-5,414,407.96
3.6 Other															
4. Balances as at the end of the period	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

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

2023

Unit: RMB

Item	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)	-24,025,517.00		-152.97	-61,079,520.95	39,042,522.05	-11,277.45		45,536,678.80	323,469,357.31			244,847,045.69
3.1 Total comprehensive income						-11,277.45			455,366,788.01			455,355,510.56
3.2 Capital increased and reduced by owners	-24,025,517.00		-152.97	-61,079,520.95	39,042,522.05							-124,147,712.97
3.2.1 Ordinary shares increased by shareholders	-24,025,517.00			76,058,492.62								-100,084,009.62
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity				16,824,114.86								16,824,114.86
3.2.4 Other			-152.97	-1,845,143.19	39,042,522.05							-40,887,818.21
3.3 Profit distribution								45,536,678.80	131,897,430.70			-86,360,751.90

3.3.1 Appropriation to surplus reserves									45,536,678.80	-45,536,678.80		
3.3.2 Appropriation to owners (or shareholders)										-86,360,751.90		-86,360,751.90
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	863,607,634.00			71,383,677.78	396,172,649.00	193,438,720.78	-41,439.79		1,257,552,275.70	5,923,889,542.37		8,319,125,618.28

2022

Unit: RMB

Item	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)	5,291,856.00		-826.09	55,284,748.06	75,487,898.73	263,417.90			712,939,084.40			698,290,381.54
3.1 Total comprehensive income						263,417.90			775,094,956.85			775,358,374.75
3.2 Capital increased and reduced by owners	5,291,856.00		-826.09	55,284,748.06	75,487,898.73							-14,912,120.76
3.2.1 Ordinary shares increased by shareholders	5,291,856.00			13,743,193.13								19,035,049.13
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity				39,975,678.06								39,975,678.06
3.2.4 Other			-826.09	1,565,876.87	75,487,898.73							-73,922,847.95
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	887,633,151.00		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

### III Company Profile

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

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

In conformity with the resolution of the 7th Meeting of the 10th Board of Directors on 10 April 2023 and the resolution of the General Meeting of the Company on 12 May 2023, the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition, all the 90,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and cancelled.

After several rounds of capital increase and repurchase, as at 31 December 2023, the Company's registered capital stood at RMB863,607,600. This includes 591,362,700 A-shares and 272,244,900 B-shares.

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

The Company's financial statements and Notes thereof have been approved by the 20th Meeting of the 10th Board of Directors held on 10 April 2024.

### 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 2023) issued by China Securities Regulatory Commission.

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

#### 2. Going-concern

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

### V Significant Accounting Policies and Estimates

Specific accounting policies and accounting estimates indicators:

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



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

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the consolidated, and the Company's financial positions as at 31 December 2023, business results and cash flows for 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. Methods for Determining Materiality Standards and Selection Criteria

Applicable  Not applicable

Item	Materiality criteria
Significant receivables withdrawal of bad debt provision separately accrued	Individual receivables exceeding 0.3% of total assets
Significant receivables reversed or recovered during the Reporting Period	Individual receivables exceeding 0.3% of total assets
Significant written-off of receivables during the Reporting Period	Individual receivables exceeding 0.3% of total assets
Significant prepayments aging over one year	Individual prepayment amounts exceeding 0.3% of total assets
Significant construction in progress	Individual investment amounts exceeding 1% of total assets
Significant accounts payable aging over one year	Individual accounts payable amounts exceeding 0.3% of total assets
Significant non-wholly-owned subsidiary	A subsidiary whose total assets, operating income, or total profit (or absolute loss amount) exceeds 10% of the corresponding item in the consolidated financial statements is considered a significant non-wholly owned subsidiary
Significant investment activity projects	Individual investment amounts exceeding 5% of total assets

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

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

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

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

The assets and liabilities of the combined party acquired by the combining party in the combination, shall be measured at the 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

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, other comprehensive income arising from the remeasurement of the net liability or net asset of a defined benefit plan by the investee, as well as other comprehensive income related to investments in non-trading equity instruments designated at fair value through other comprehensive income, are excluded.

(3) Treatment of 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.

## **7. Criteria for Judging Control and Methods for Preparing Consolidated Financial Statements**

(1) Criteria for judging control

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

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

(2) Preparation method of consolidated financial statements

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

## **8. Classification of Joint Arrangements and Accounting Treatment of Joint Operations**

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

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

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

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

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

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

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

### **(1) Foreign currency 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.

## 11. Financial Instruments

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

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

The Company recognizes a financial asset or 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 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.

#### 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.

### (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 and exchange option contracts, etc. 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(12) 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 debt instrument 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.

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

Notes receivable, 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 or contract assets cannot be used to evaluate the expected credit loss information at a reasonable cost, the Company will divide the notes receivable, accounts receivable and contract assets 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

Notes receivable portfolio 2: commercial acceptance bills

B. Accounts receivable

Accounts receivable portfolio 1: payment not overdue (with L/C)

Accounts receivable portfolio 2: payment not overdue (with credit insurance)

Accounts receivable portfolio 3: payment overdue (without credit insurance)

Accounts receivable portfolio 4: payment overdue (with credit insurance)

Accounts receivable portfolio 5: payment overdue (without credit insurance)

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. The aging of accounts receivable is calculated from the date of recognition/the number of days overdue is calculated from the expiry date of the credit period.

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. For other receivables classified into portfolios by aging, the aging is calculated from the date of recognition.

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.

## 12. 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.

### **13. 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

On the balance sheet date, the inventories shall be measured at the lower of cost and net realizable value. When their net realizable value falls below cost, an allowance for inventory impairment is provided.

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

The Company generally provides for inventory depreciation on a per-item basis. For inventories that are numerous in quantity and low in unit price, an allowance for inventory impairment is provided based on inventory categories. On the balance sheet date, if the factors affecting the value of inventories previously written down have disappeared, the provision for inventory write-downs is reversed to the extent of the original amount provided.

#### (4) 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.

### **14. Long-term Equity Investments**

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

#### (1) Determination of initial investment cost

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

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

(2) Subsequent measurement and profit and loss confirmation method

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

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

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

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

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

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

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

If the shareholding ratio of the company decreases due to the capital increase of other investors, thereby losing control but being able to exercise joint control or exert significant influence on the investee, the new shareholding ratio shall be used to confirm that

the company should enjoy the capital increase of the investee. The difference between the increase in share and the increase in the share of net assets and the original book value of the long-term equity investment corresponding to the decrease in the proportion of the shareholding that should be carried forward are included in the current profit and loss; That is, adjustments are made using the equity method of accounting.

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

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

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

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

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

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

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

## 15. Investment Property

Measurement model of investment real estate

Costing method measurement

Depreciation or amortization method

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

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

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

The difference between the disposal income of investment real estate sales, transfer, scrap or damage after deducting its book

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

## 16. Fixed Assets

### (1) Conditions for Recognition

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

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

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

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

### (2) 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

See the Note V-22 for details.

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

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

## **(5) Disposal of Fixed Assets**

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

## **17. Construction in Progress**

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

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

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

## **18. Engineering Materials**

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

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

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

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

## **19. Borrowing Costs**

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

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

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

### **(2) Capitalization period of borrowing expenses**

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

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

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

The interest expenses of special borrowing actually occurring in the current period, minus the interest income of the unused borrowed

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

## 20. Intangible Assets

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	

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

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

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

## 21. Research and Development Expenditures

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

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

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

The development expenditures can be capitalized only when they satisfy the following conditions simultaneously: ① It is feasible technically to finish intangible assets for use or sale; ② It is intended to finish and use or sell the intangible assets; ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally; ④ It is able to finish the development of the intangible assets,



and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; ⑤ The development expenditures of the intangible assets can be reliably measured. The development expenditures shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

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

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

## 22. Impairment of Long-term Assets

For long term equity investment in subsidiaries, associated enterprises and joint ventures, investment real estate which follow-up measurement is carried out by cost pattern, fixed assets, construction in progress, right-of-use assets, intangible assets, business reputation, etc. (excluding inventory, investment property measured at fair value 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.

## **23. Long-term Deferred Expenses**

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

## **24. Payroll**

### **(1) Scope of Employee Remuneration**

Payroll refers to the various forms of remuneration or compensation given by an enterprise for services provided by employees or for the termination of employment relations. Payroll mainly includes short-term salary, welfare after departure, demission welfare, and other long-term staff welfare. Benefits provided to employees' spouses, children, dependents, survivors of deceased employees, and other beneficiaries also belong to the payroll.

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

### **(2) 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.

### **(3) 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.

### **(4) 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.

## **(5) 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.

## **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.

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 (Excluding those cancelled due to failure to meet non-market-based vesting conditions, such as service conditions or non-market-based performance conditions.), the Company shall treat the 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.

#### (5) Restricted Shares

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

## 27. Revenue

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

### (1) General principle

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

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

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

- 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.
- ⑤ The customer has accepted the goods or services.
- ⑥ 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-11. The right of the Company, unconditionally (only depending on time elapse) charging consideration from the customer, is listed as receivable. The obligation of the Company that shall transfer goods or services to the customer for the consideration that has been or shall be collected is liability to the contract.

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

## (2) Specific methods

The specific income confirming methods of the Company are following:

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

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

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

## 28. Contract Costs

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

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

If the cost incurred for performance of contract does not belong to inventory and other scope of other corporate accounting standards and meets the following conditions, the Company will regard it as contract performance cost and confirm it as an asset:

- ① The cost is directly related to a copy of contract currently acquired or expected to be acquired, including direct labor, direct materials, manufacture expenses (or similar expenses), cost determined to be undertaken by the customer and other cost incurred due to the contract;
- ② The cost increases the resources of the Company that will be used for performance of contract obligations in the future;
- ③ The cost is expected to be recovered.

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

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

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

## **29. Government Grants**

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

Government grants for monetary assets shall be measured according to the amount received or receivable. Government grants for non-monetary assets shall be measured by fair value.

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.

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

Income tax includes current income tax and deferred income tax. All shall be included in the current profit and loss as income tax expense except the adjustment 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 (Excluding transactions that initially recognised assets and liabilities resulting in equal taxable temporary differences and deductible temporary differences.);

(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 (Excluding transactions that initially recognised assets and liabilities resulting in equal taxable temporary differences and deductible temporary differences.);

(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.

As at the balance sheet date, deferred income tax assets and deferred income tax liabilities are presented as a net amount when the following conditions are simultaneously met:

(1) The tax entity within the Company has a legally enforceable right to set off current income tax assets against current income tax liabilities;

(2) The deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same taxation authority on the same taxable entity within the Company.

## **31. Lease**

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

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

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

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

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

Lease liabilities are initially measured in line with the lease payments not yet paid on the commencement date of the lease term using the present value calculated by the interest rate implicit in lease. If the interest rate implicit in lease cannot be determined, the incremental borrowing rate shall be used as the discount rate. Lease payments include: Fixed payment and substantial fixed payment, and the relevant amount after deducting the lease incentive if any; variable lease payments depending on index or ratio; exercise price of the purchased option, provided that the lessee reasonably determines that the option will be exercised; the amount to be paid for the exercise of the lease termination options, provided that the lease term reflects that the lessee will exercise the options to terminate the lease; and estimated payments due to the guaranteed residual value provided by the lessee. Subsequently, it calculates the interest expenses of the lease liabilities during each period of the lease term at a fixed periodic interest rate, and includes them in current profit and loss. Variable lease payments that are not covered in the measurement of the lease liabilities are included in current profit or loss when actually incurred.

### **Short-term lease**

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

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

## 32. Right-of-Use Assets

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

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

At the start date of the lease term, the Company initially measures the right-of-use assets at cost. The cost includes: the initial measurement amount of lease obligations; 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); the initial direct cost incurred by the lessee; and the anticipated cost of dismantling and removing the leasehold property, restoring the site where the leasehold property is located, or bringing the leasehold property back to the state agreed upon in the lease terms. As the lessee, the Company shall recognize and measure the cost of demolition and restoration in accordance with the *Accounting Standards for Business Enterprises No.13 - Contingencies*. Subsequent adjustments are made for any re-measurement of the lease liabilities.

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

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

leased assets are depreciated at the shorter of the lease term and the residual service life of the leased assets.

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

### 33. 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.

### 34. 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.

### 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.

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

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

In November 2022, MOF issued the *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (C.K. [2022] No. 31) (hereinafter referred to as the "Interpretation No. 16").

Interpretation No. 16 stipulates that for single transactions that are not business combinations, that affect neither accounting profit nor taxable income (or deductible losses) at the time the transaction occurs, and where the initial recognition of assets and liabilities results in taxable temporary differences and deductible temporary differences of equal amounts should, in accordance with the *No. 18 of the Accounting Standards for Business Enterprises - Income Taxes* and other relevant regulations, be recognized as deferred income tax liabilities and deferred income tax assets, respectively, at the time of the transaction. For transactions that occurred between the beginning of the earliest period presented in the financial statements and the date of implementation of the aforementioned regulations, enterprises should, in accordance with the said regulations, adjust the cumulative effect on the

opening retained earnings of the earliest period presented in the financial statements and other related financial statement items. The aforementioned accounting treatment regulations shall come into force from 1 January 2023.

For the lease liabilities and right-of-use assets recognised by the Company in its leasing operations, as well as the recognised provisions for obligations to dismantle and the corresponding assets, which generate taxable temporary differences and deductible temporary differences, adjustments are made in accordance with the provisions of Interpretation No. 16.

The impact of implementing the aforementioned accounting policies on the consolidated balance sheet as at 31 December 2023, and the consolidated income statement for the year 2023 is as follows:

Item of consolidated balance sheet (31 December 2023)	Amount affected
Deferred income tax assets	14,380,843.22
Deferred income tax liabilities	14,380,843.22

The impact of implementing the aforementioned accounting policies on the consolidated balance sheet as at 31 December 2022, and the consolidated income statement for the year 2022 is as follows:

Item of consolidated balance sheet (31 December 2022)	Before	Amount adjusted	After
Deferred income tax assets	155,774,523.25	16,366,350.08	172,140,873.33
Deferred income tax liabilities	151,243,432.80	16,366,350.08	167,609,782.88

## (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

## 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%, 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%
Luqun Textile	25%
Xinsheng Power	25%
Shanghai Lu Thai	20%
Shanghai Zhinuo	20%
Lujia Import & Export	25%
Zhishu Consulting	20%
Lu Thai Vocational Training School	0%
Banyang Villa	20%
Huilin International	15%
VACL	11%

## 2. Tax Preference

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

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.

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 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%.

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).

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

### 1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	2,633,018.72	2,360,089.79
Bank deposits	1,280,487,534.58	2,054,133,036.04
Other monetary funds	275,131,494.73	11,275,128.14
Total	1,558,252,048.03	2,067,768,253.97
Of which: total amount deposited overseas	271,126,295.17	246,365,368.50

Other notes:

(1) On 31 December 2023, the monetary assets with restricted ownership were of RMB4,024,123.14, which were the deposit for foreign guarantee business of DONG 9,890,410,485.00 (equivalent to RMB2,967,123.14), and litigation freezes of RMB1,057,000.00.

(2) The interest receivable in bank deposits was RMB16,142,334.69.

### 2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	723,800,275.39	267,695,159.48
Of which:		
Of which: Debt instrument investment	203,706,725.51	90,644,869.48
Equity instrument investment	509,832,518.35	148,877,781.17
Derivative financial assets	10,261,031.53	28,172,508.83
Of which:		
Total	723,800,275.39	267,695,159.48

Other notes:

As at the end of the Reporting Period, the Company lent 1,425,000 shares of Remegen Co., Ltd. held by the Company by way of transfer facility.

### 3. Notes Receivable

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

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	99,642,708.67	95,123,874.32
L/C		73,631,841.52
Total	99,642,708.67	168,755,715.84

**(2) Disclosure by Withdrawal Methods for Bad Debts**

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	
Of which:										
Notes receivable of bad debt provision withdrawn by groups	99,642,708.67	100.00%			99,642,708.67	168,755,715.84	100.00%			168,755,715.84
Of which:										
Trade acceptance										
Bank acceptance bills with low credit ratings	99,642,708.67	100.00%			99,642,708.67	99,642,708.67	100.00%			168,755,715.84
Total	99,642,708.67	100.00%			99,642,708.67	99,642,708.67	100.00%			168,755,715.84

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

 Applicable  Not applicable**4. Accounts Receivable****(1) Disclosure by Aging**

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including 1 year)	878,555,822.01	710,248,142.12
One to two years	3,129,451.20	1,413,758.76
Two to three years	143,033.80	3,516,929.18
More than three years	7,777,701.22	6,724,339.34
Three to four years	3,717,366.06	6,330,795.56
Four to five years	4,037,499.15	391,883.77
Over 5 years	22,836.01	1,660.01
Total	889,606,008.23	721,903,169.40

**(2) Disclosure by Withdrawal Methods for Bad Debts**

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	5,481,360.70	0.62%	5,481,360.70	100.00%		5,137,500.44	0.71%	5,137,500.44	100.00%	
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	884,124,647.53	99.38%	57,656,962.75	6.52%	826,467,684.78	716,765,668.96	99.29%	56,338,142.77	7.86%	660,427,526.19
Of which:										
Group 1: Undue accounts (L/C)	158,223,236.80	17.79%			158,223,236.80					
Group 2: Undue accounts (credit insurance insured)	137,080,593.18	15.41%	1,439,346.21	1.05%	135,641,246.97	166,814,345.91	23.11%	1,751,550.62	1.05%	165,062,795.29
Group 3: Undue accounts (no credit insurance)	447,692,502.26	50.32%	22,384,625.09	5.00%	425,307,877.17	395,429,681.72	54.78%	19,771,484.04	5.00%	375,658,197.68



Group 4: Overdue accounts (credit insuranc e insured)	47,975,300. 48	5.39%	7,532,122. 16	15.70%	40,443,178. 32	73,996,751. 59	10.25%	11,617,489 .99	15.70%	62,379,261. 60
Group 5: Overdue accounts (no credit insuranc e)	93,153,014. 81	10.47%	26,300,869 .29	28.23%	66,852,145. 52	80,524,889. 74	11.15%	23,197,618 .12	28.81%	57,327,271. 62
Total	889,606,008 .23	100.00 %	63,138,323 .45	7.10%	826,467,684 .78	721,903,169 .40	100.00 %	61,475,643 .21	8.52%	660,427,526 .19

Bad debt provision separately accrued: 2023

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,705,609.83	2,705,609.83	2,751,489.34	2,751,489.34	100.00%	Customer in financial difficulty
Customer 2	1,986,544.97	1,986,544.97	2,729,871.36	2,729,871.36	100.00%	Customer in financial difficulty
Customer 3	281,353.47	281,353.47				
Customer 4	90,959.35	90,959.35				
Customer 5	73,032.82	73,032.82				
Total	5,137,500.44	5,137,500.44	5,481,360.70	5,481,360.70		

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

Applicable  Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision	61,475,643.21	1,998,736.62		336,056.38		63,138,323.45
Total	61,475,643.21	1,998,736.62		336,056.38		63,138,323.45

**(4) Accounts Receivable Written-off in Current Period**

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	336,056.38

Notes to verification of accounts receivable:

There were no write-offs of significant accounts receivable.

**(5) Top 5 of the Ending Balance of the Accounts Receivable and the Contract Assets Collected according to Arrears Party**

Unit: RMB

Name of the entity	Ending balance of the Accounts Receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to total ending balance of accounts receivable and contract assets	Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets
Customer 1	82,707,168.69		82,707,168.69	9.30%	10,761.24
Customer 2	39,769,934.18		39,769,934.18	4.47%	1,988,496.71
Customer 3	36,927,681.40		36,927,681.40	4.15%	5,151,015.88
Customer 4	34,601,434.87		34,601,434.87	3.89%	2,129,403.80
Customer 5	26,638,626.82		26,638,626.82	2.99%	1,859,490.69
Total	220,644,845.96		220,644,845.96	24.80%	11,139,168.32

**5. Accounts Receivable Financing****(1) Accounts Receivable Financing Listed by Category**

Unit: RMB

Item	Ending balance	Beginning balance
Notes Receivable	18,336,324.55	11,300,942.26
Less: Other comprehensive income-fair value change	-88,118.79	-92,637.48
Total	18,248,205.76	11,208,304.78

**(2) Other Notes**

There was no bank acceptance bill for which bad debt provision accrued separately in the Company. On December 31, 2021, the Company believed that there was no significant credit risk in the bank acceptance bill held by the Company, and no significant loss caused by bank defaults.

(1) The Company had no pledged notes receivable at the end of the period.

(2) The Company had notes receivable endorsed or discounted but not yet due at the end of the period.

Category_110075	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end

Bank acceptance bills	151,938,439.51	
Trade acceptance notes		
<b>Total</b>	<b>151,938,439.51</b>	

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

## 6. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable		18,563,298.39
Other receivables	22,168,807.43	71,292,361.60
<b>Total</b>	<b>22,168,807.43</b>	<b>89,855,659.99</b>

### (1) Dividend Receivable

#### 1) Dividend Receivable Classification

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Sanchang Fengshou Cotton Industry Co., Ltd. (hereinafter referred to as "Fengshou Cotton")		19,540,314.10
Less: Bad debt provision		-977,015.71
<b>Total</b>		<b>18,563,298.39</b>

#### 2) Disclosure by Withdrawal Methods for Bad Debts

Applicable Not applicable

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

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	-977,015.71			-977,015.71
Balance of 31 December 2023	0.00			0.00

The basis for the division of each stage and the withdrawal proportion of bad debt provision

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	3,798,857.69	14,027,493.50
VAT to be returned	7,283,733.09	8,307,493.84
Payment on behalf	8,669,608.81	11,897,474.75
Guarantee deposit and cash deposit	1,613,961.78	4,220,014.58
Borrowings and petty cash	1,962,604.48	1,543,080.24
Others	5,078,173.43	36,256,599.70
Total	28,406,939.28	76,252,156.61

### 2) Disclosure by Aging

Unit: RMB

Aging	Ending balance	Beginning carrying amount
Within one year (including 1 year)	17,090,150.86	70,961,586.97
One to two years	7,685,279.13	1,080,590.18
Two to three years	177,000.00	678,244.85
More than three years	3,454,509.29	3,531,734.61
Three to four years	35,020.00	131,544.46
Four to five years	78,300.00	101,101.14
Over 5 years	3,341,189.29	3,299,089.01
Total	28,406,939.28	76,252,156.61

### (3) Disclosure by Withdrawal Methods for Bad Debts

Applicable Not Applicable

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

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	3,681,740.03	1,278,054.98	0.00	4,959,795.01

January 2023				
Balance of 1 January 2023 in the Current Period				
Withdrawal of the Current Period	-2,801,476.59	3,916,801.38	163,012.05	1,278,336.84
Balance of 31 December 2023	880,263.44	5,194,856.36	163,012.05	6,238,131.85

The basis for the division of each stage and the withdrawal proportion of bad debt provision

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

Category	Carrying amount	Expected rate of credit losses in the next 12 months (%)	Bad debt provision	Carrying value	Reason
Bad debt provision separately accrued					
Withdrawal of bad debt provision by group	17,605,269.82		880,263.44	16,725,006.38	
Tax receivable	3,798,857.69	5	189,942.89	3,608,914.80	Not past due
Security deposit and margin receivable	1,613,961.78	5	80,698.09	1,533,263.69	Not past due
VAT to be returned	303,857.45	5	15,192.87	288,664.58	Not past due
Other receivables	11,888,592.90	5	594,429.59	11,294,163.31	Not past due
<b>Total</b>	<b>17,605,269.82</b>	<b>5</b>	<b>880,263.44</b>	<b>16,725,006.38</b>	

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

Category	Carrying amount	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying value	Reason
Bad debt provision separately accrued					
Withdrawal of bad debt provision by group	10,638,657.41		5,194,856.36	5,443,801.05	
VAT to be returned	6,979,875.64	48.83	3,408,273.28	3,571,602.36	over due
Other receivables	3,658,781.77	48.83	1,786,583.08	1,872,198.69	over due
<b>Total</b>	<b>10,638,657.41</b>	<b>48.83</b>	<b>5,194,856.36</b>	<b>5,443,801.05</b>	

Other receivables in the third stage at the period-end:

Category	Carrying amount	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying value	Reason
Bad debt provision separately accrued	163,012.05		163,012.05		
Customer 1	163,012.05	100	163,012.05		Customer in financial difficulty
<b>Total</b>	<b>163,012.05</b>	<b>100</b>	<b>163,012.05</b>		

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

Category_110104	Carrying amount	Expected rate of credit losses in the next 12 months (%)	Bad debt provision	Carrying value	Division basis
Withdrawal of bad debt provision by group	73,634,800.53		3,681,740.03	69,953,060.50	
Tax receivable	22,334,987.34	5	1,116,749.36	21,218,237.98	Not past due
Security deposit and margin receivable	4,220,014.58	5	211,000.75	4,009,013.83	Not past due
Other receivables	47,079,798.61	5	2,353,989.92	44,725,808.69	Not past due
<b>Total</b>	<b>73,634,800.53</b>	<b>5</b>	<b>3,681,740.03</b>	<b>69,953,060.50</b>	

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

Category_110106	Carrying amount	Expected credit loss rate for the entire duration (%)	Bad debt provision	Carrying value	Division basis
Withdrawal of bad debt provision by group	2,617,356.08		1,278,054.98	1,339,301.10	
Other receivables	2,617,356.08	48.83	1,278,054.98	1,339,301.10	Over due
<b>Total</b>	<b>2,617,356.08</b>	<b>48.83</b>	<b>1,278,054.98</b>	<b>1,339,301.10</b>	

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

At the end of the previous year, the Company had no other receivables in the third stage.

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

Applicable  Not applicable

Unit: RMB

#### 4) 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	Charged-off/ Verification	Others	
Expected credit loss of the next 12 months at the first stage	3,681,740.03	-2,801,476.59				880,263.44
Expected loss in the duration (credit impairment not occurred) at the second stage	1,278,054.98	3,916,801.38				5,194,856.36
Expected loss in the duration (credit impairment occurred) at the third stage		163,012.05				163,012.05

Total	4,959,795.01	1,278,336.84			6,238,131.85
-------	--------------	--------------	--	--	--------------

### 5) 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	Rebate of VAT	7,283,733.09	Within 1 year and 1 to 2 years	25.64%	3,423,466.15
Customer 2	Advance payments	5,982,874.78	Within 1 year	21.06%	299,143.74
Customer 3	Export rebates	3,798,857.69	Within 1 year	13.37%	189,942.88
Customer 4	Advance payments	1,446,209.23	Within 1 year	5.09%	72,310.46
Customer 5	Advance payments	1,197,960.40	Within 1 year	4.22%	59,898.02
Total		19,709,635.19		69.38%	4,044,761.25

## 7. Prepayment

### (1) Prepayment Listed by Aging Analysis

Aging	Ending balance		Beginning balance	
	amount	Proportion	amount	Proportion
Within 1 year	51,843,880.46	99.96%	94,608,438.10	99.57%
One to two years	17,437.82	0.04%	411,030.94	0.43%
Two to three years			2,129.28	
More than three years	2,129.28			
Total	51,863,447.56		95,021,598.32	

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

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

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

Name of the entity	Closing balance of prepayments	Percentage of total advances to suppliers (%)
Supplier 1	7,859,205.06	15.15
Supplier 2	7,845,351.21	15.13
Supplier 3	7,084,533.57	13.66
Supplier 4	6,647,230.33	12.82
Supplier 5	4,722,637.93	9.11
<b>Total</b>	<b>34,158,958.10</b>	<b>65.87</b>

Other notes: The advances to suppliers from the top five of prepaid parties classified based on the ending balance totals RMB34,158,958.10 in the current period, accounting for 65.87% of the total ending balance of the advances to suppliers.

## 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	961,742,257.63	48,846,493.37	912,895,764.26	964,638,749.13	47,996,904.87	916,641,844.26
Goods in process	504,407,562.92	11,183,192.80	493,224,370.12	502,282,021.10	12,926,711.64	489,355,309.46
Inventory goods	886,717,966.10	181,209,030.54	705,508,935.56	869,338,282.54	181,010,948.47	688,327,334.07
Commissioned products	12,510,504.76		12,510,504.76	13,525,220.54		13,525,220.54
Total	2,365,378,291.41	241,238,716.71	2,124,139,574.70	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	4,495,359.90		3,645,771.40		48,846,493.37
Goods in process	12,926,711.64	7,398,390.95		9,141,909.79		11,183,192.80
Inventory goods	181,010,948.47	76,851,579.36		76,653,497.29		181,209,030.54
Total	241,934,564.98	88,745,330.21		89,441,178.48		241,238,716.71

Items	The specific basis for determining the net realizable value	Reasons for charge-off/write-off of inventory falling price reserves in the current period
-------	---	--



Raw materials	Estimated selling price deducts the estimated selling expense and the relevant taxes	Sales
Inventory goods	Estimated selling price deducts the estimated selling expense and the relevant taxes	Sales
Work-in-progress	Estimated selling price of finished goods deducts the cost estimated until completion, estimated sales taxes and relevant taxes	Sales

## 9. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Other tax	801,750.09	9,813,869.63
Prepaid income tax	2,774,815.63	14,983,737.42
Prepaid other taxes	3,453,982.70	432,344.55
Convertible broken lot fund	199,680.79	199,689.59
Refundable deposits	137,881,884.82	51,418,261.88
<b>Total</b>	<b>145,112,114.03</b>	<b>76,847,903.07</b>

## 10. Long-term Equity Investment

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of depreciation reserve	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 Mei shan Bonded Port Area Haohong Equity Investment Partnership (L.P) (hereinafter referred to as "Haohong	60,547,749.28			20,156,313.56	7,866,263.99							48,257,699.71	

Investment")												
Ningbo Haoying Equity Investment Partnership (L.P) (hereinafter referred to as "Haoying Investment")	123,620,876.41			10,918,662.01	-17,422,434.34						95,279,780.06	
Subtotal	184,168,625.69			31,074,975.57	-9,556,170.35						143,537,479.77	
Total	184,168,625.69			31,074,975.57	-9,556,170.35						143,537,479.77	

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

Applicable  Not applicable

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

Applicable  Not applicable

## 11. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Equity instrument investment	76,750,000.00	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	88,750,000.00	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	130,806.00			130,806.00

(1) Outsourcing				
(2) Transfer from inventory/fixed assets/construction in progress	130,806.00			130,806.00
(3) Business combination increase				
3. Decreased amount for the current period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	33,708,658.12			33,708,658.12
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	13,116,916.91			13,116,916.91
2. Increased amount for the current period	1,013,565.28			1,013,565.28
(1) Withdrawal or amortization	901,791.98			901,791.98
(2) Transfer from inventory/fixed assets/construction in progress	111,773.30			111,773.30
3. Decreased amount for the current period				
(1) Disposal				
(2) Other transfer				
4. Ending balance	14,130,482.19			14,130,482.19
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	19,578,175.93			19,578,175.93
2. Beginning carrying value	20,460,935.21			20,460,935.21

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

Applicable  Not applicable

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

Applicable  Not applicable

**(2) Investment Property Adopting the Fair Value Measurement Mode**□Applicable  Not applicable**13. Fixed Assets**

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	5,597,692,505.07	5,807,847,850.67
Liquidation of fixed assets		
Total	5,597,692,505.07	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	124,150,251.95	201,949,303.23	2,444,622.95	2,152,130.10	330,696,308.23
(1) Purchase		143,472,298.75	2,256,680.85	2,040,376.59	147,769,356.19
(2) Transfer from construction in progress	107,969,731.75	35,029,695.21			142,999,426.96
(3) Business combination increase					
(4) Other increase	16,180,520.20	23,447,309.27	187,942.10	111,753.51	39,927,525.08
3. Decreased amount for the current period	4,842,788.55	130,822,767.06	308,974.36	5,062,921.21	141,037,451.18
(1) Disposal or scrap	4,711,982.55	94,472,487.96	308,974.36	5,062,921.21	104,556,366.08
(2) Transfer from construction in progress		36,350,279.10			36,350,279.10
(3) Transfer from investment properties	130,806.00				130,806.00
4. Ending balance	3,771,409,356.61	7,498,350,318.66	55,476,805.41	130,828,101.77	11,456,064,582.45
II. Accumulative depreciation					
1. Beginning	1,217,812,756.74	4,048,548,925.66	39,994,380.21	114,073,387.92	5,420,429,450.53

balance					
2. Increased amount for the current period	129,838,753.47	332,896,533.06	3,663,533.53	7,348,030.47	473,746,850.53
(1) Withdrawal	127,206,159.07	325,659,023.01	3,527,105.19	7,253,684.90	463,645,972.17
(2) Other Increases	2,632,594.40	7,237,510.05	136,428.34	94,345.57	10,100,878.36
3. Decreased amount for the current period	4,136,059.87	69,927,446.83	278,076.92	4,624,151.85	78,965,735.47
(1) Disposal or scrap	4,024,286.57	66,823,047.25	278,076.92	4,624,151.85	75,749,562.59
(2) Transfer from construction in progress		3,104,399.58			3,104,399.58
(3) Transfer from investment properties	111,773.30				111,773.30
4. Ending balance	1,343,515,450.34	4,311,518,011.89	43,379,836.82	116,797,266.54	5,815,210,565.59
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		17,131,456.31			17,131,456.31
(1) Withdrawal		17,131,456.31			17,131,456.31
3. Decreased amount for the current period		12,070,957.69		27,411.03	12,098,368.72
(1) Disposal or scrap		12,070,957.69		27,411.03	12,098,368.72
4. Ending balance	429,416.16	42,691,703.55	5,671.30	34,720.78	43,161,511.79
IV. Carrying value					
1. Ending carrying value	2,427,464,490.11	3,144,140,603.22	12,091,297.29	13,996,114.45	5,597,692,505.07
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

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

Unit: RMB

Item	Ending carrying amount
Houses and buildings	4,704,074.57

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

Unit: RMB

Item	Carrying value	Reason
Lufeng weaving dye gray yarn warehouse	11,917,191.06	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments
Lu Thai Textile Warehouse 01, 02	6,144,662.12	The same as above
Lulian New Materials Yarn Warehouse	7,806,406.97	The same as above
Fabric Inspection Workshop of Lulian New Materials	82,360,714.56	The same as above

**14. Construction in Progress**

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	383,113,337.09	162,197,188.04
Engineering materials	485,383,541.32	37,746,313.69
Total	868,496,878.41	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
Production line project of high-grade fabrics (Phase I)	375,973,427.49		375,973,427.49	110,653,801.45		110,653,801.45
Reform project of Xinsheng Thermal Power	4,783,916.38		4,783,916.38	18,548,362.41		18,548,362.41
Other sporadic projects	2,355,993.22		2,355,993.22	32,995,024.18		32,995,024.18
Total	383,113,337.09		383,113,337.09	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	Transferred in fixed	Other decreased	Ending balance	Proportion of accumulated	Job schedule	Accumulated amount	Of which: amount	Capitalization rate of	Capital resource
--------------	--------	-------------------	-------------------------	----------------------	-----------------	----------------	---------------------------	--------------	--------------------	------------------	------------------------	------------------

			current period	assets	amount for the current period		ated investment in constructions to budget		of interest capitalization	of capitalized interests for the Reporting Period	interests for the Reporting Period	ces
Production line project of high-grade fabrics (Phase I)	464,800,000.00	110,653,801.45	334,696,065.24	69,376,439.20		375,973,427.49	95.00%	87.00%	11,598,184.16	11,598,184.16	3.68%	Public offering fund and self-raised fund
Reform project of Xinsheng Thermal Power	8,000,000.00	18,548,362.41	6,543,754.69	20,308,200.72		4,783,916.38	60.00%	80.00%				Other
Other sporadic projects		32,995,024.18	22,675,756.08	53,314,787.04		2,355,993.22						Other
<b>Total</b>	<b>472,800,000.00</b>	<b>162,197,188.04</b>	<b>363,915,576.01</b>	<b>142,999,426.96</b>		<b>383,113,337.09</b>			<b>11,598,184.16</b>	<b>11,598,184.16</b>		

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

Applicable  Not applicable

### (4) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Special materials	871,768.43		871,768.43			
Special equipment to be installed	484,511,772.89		484,511,772.89	37,746,313.69		37,746,313.69
<b>Total</b>	<b>485,383,541.32</b>		<b>485,383,541.32</b>	<b>37,746,313.69</b>		<b>37,746,313.69</b>

## 15. Right-of-use Assets

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

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	2,478,079.64	6,983,277.64	9,461,357.28
(1) Rent	2,447,032.05	23,890.12	2,470,922.17
(2) Lease Liabilities Adjustment			
(3) Other Increase	31,047.59	6,959,387.52	6,990,435.11
3. Decreased amount for the current period	19,123,073.88		19,123,073.88
(1) Sublease is a financial lease			
(2) Transfer or hold for sale			
(3) Maturity	19,123,073.88		19,123,073.88
(4) Other decrease			
4. Ending balance	57,851,702.69	452,496,166.65	510,347,869.34
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	11,453,148.15	16,202,295.23	27,655,443.38
(1) Withdrawal	11,431,910.42	15,585,545.10	27,017,455.52
(2) Other Increases	21,237.73	616,750.13	637,987.86
3. Decreased amount for the current period	19,123,073.88		19,123,073.88
(1) Disposal			
(2) Maturity	19,123,073.88		19,123,073.88
4. Ending balance	14,623,691.51	32,497,758.62	47,121,450.13
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	43,228,011.18	419,998,408.03	463,226,419.21
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
I. Original carrying value					
1. Beginning balance	470,338,494.00	409,550.00		1,372,816.75	472,120,860.75
2. Increased amount for the current period				1,036,665.83	1,036,665.83
(1) Purchase				1,034,057.53	1,034,057.53
(2) Internal R&D					
(3) Business combination increase					
(4) Other increase				2,608.30	2,608.30
3. Decreased amount for the current period				272,359.86	272,359.86
(1) Disposal				272,359.86	272,359.86
4. Ending balance	470,338,494.00	409,550.00		2,137,122.72	472,885,166.72
II. Accumulated amortization					
1. Beginning balance	118,321,920.63	71,671.98		837,690.08	119,231,282.69
2. Increased amount for the current period	10,096,399.24	40,954.38		441,010.85	10,578,364.47
(1) Withdrawal	10,096,399.24	40,954.38		440,001.32	10,577,354.94

(2) Other Increases				1,009.53	1,009.53
3. Decreased amount for the current period				272,359.86	272,359.86
(1) Disposal				272,359.86	272,359.86
4. Ending balance	128,418,319.87	112,626.36		1,006,341.07	129,537,287.30
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	341,920,174.13	296,923.64		1,130,781.65	343,347,879.42
2. Beginning carrying value	352,016,573.37	337,878.02		535,126.67	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%.

## (2) Impairment Test of Intangible Assets

Applicable  Not applicable

## 17. Development costs

Unit: RMB

Item	Beginning balance	Increased amount of the current period	Decreased amount for the current period	Ending balance
R&D of products		239,775,343.18	239,775,343.18	
Total		239,775,343.18	239,775,343.18	

For details, refer to Note VIII. Research and Development Expenditure with restricted ownership or use right.

## 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	2,593,178.84	3,768,137.83		1,694,425.58
Technical service charges	79,597.40		35,376.60		44,220.80
Other prepaid expense		264,659.22	187,467.00		77,192.22
Total	2,948,981.97	2,857,838.06	3,990,981.43		1,815,838.60

## 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	230,431,449.02	36,029,044.63	255,841,124.12	38,889,866.26
Internal unrealized profit	107,060,058.13	14,691,107.03	131,224,111.61	17,495,580.49
Deductible losses	109,351,504.69	19,934,589.31	152,699,543.87	28,176,066.84
Payroll payable	67,324,258.61	10,109,806.74	73,899,001.83	11,096,607.07
Deferred income	151,500,472.11	23,556,894.11	159,284,848.68	24,863,045.77
Contract	89,450,421.20	22,157,141.99	81,088,515.08	20,272,128.77

liabilities				
Changes in fair value of other non-current financial assets	0.00		330,000.00	49,500.00
The changes of accounts receivable financing in fair value	81,235.81	12,185.37	92,637.48	13,895.62
Lease liabilities	93,523,870.95	14,028,580.65	6,274,343.07	1,002,949.03
Restricted stock incentive fees	27,488,845.13	4,123,326.77	53,367,269.88	8,005,090.48
Convertible corporate bonds	46,083,362.71	6,912,504.41	17,827,648.45	2,674,147.27
Associate	13,704,707.03	2,055,706.05	21,570,971.02	3,235,645.65
Fund losses	28,541,486.65	4,281,223.00		
Total	964,541,672.04	157,892,110.06	953,500,015.09	155,774,523.25

## (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	632,363,989.77	99,342,402.95	643,426,505.04	101,589,274.02
Changes in fair value of trading financial assets	245,835,380.61	36,875,307.09	23,985,450.00	3,597,817.50
Changes in the fair value of other non-current financial assets	19,467,400.00	2,920,110.00	268,073,567.06	40,211,035.06
Associated enterprises	19,521,963.57	2,928,294.54	36,944,397.91	5,541,659.69
Right-of-use assets	87,417,883.01	13,112,682.46	2,024,310.22	303,646.53
Total	1,004,606,616.96	155,178,797.04	974,454,230.23	151,243,432.80

## (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		157,892,110.06		155,774,523.25
Deferred income tax liabilities		155,178,797.04		151,243,432.80

**(4) List of unrecognized deferred income tax assets**

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	65,448,810.95	49,938,675.28
Deductible losses	257,150,469.99	170,560,094.42
Total	322,599,280.94	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
Y2024		646.08	
Y2025	299.83	52,127.16	
Y2026	71,235,558.18	71,952,021.26	
Y2027	96,904,257.37	98,555,299.92	
Y2028	89,010,354.61		
Total	257,150,469.99	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
Project prepayment	672,659.25		672,659.25			
Prepayment for equipment	2,008,677.98		2,008,677.98	80,902,453.33		80,902,453.33
Term deposits over 1 year	150,000,000.00		150,000,000.00	151,000,000.00		151,000,000.00
Interest receivable from term deposits over 1 year	3,008,929.60		3,008,929.60	10,637,013.55		10,637,013.55
Total	155,690,266.83		155,690,266.83	242,539,466.88		242,539,466.88

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

Unit: RMB

Item	Period-end				Period-beginning			
	Carrying amount	Carrying value	Type of restriction	Status of restriction	Carrying amount	Carrying value	Type of restriction	Status of restriction

Monetary capital	4,024,123.14	4,024,123.14	Deposit, frozen		1,328,577.85	1,328,577.85	Deposit	
Notes receivable	51,979,653.25	51,979,653.25	Endorsed or discounted but not yet due for derecognition					
Other current assets	137,881,884.82	137,881,884.82	Refundable deposits		51,418,261.88	51,418,261.88	Refundable deposits	
Total	193,885,661.21	193,885,661.21			52,746,839.73	52,746,839.73		

## 23. Short-term Borrowings

### (1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Borrowings secured by guarantee	68,275,604.36	
Credit loan	512,429,167.91	518,946,415.96
Total	580,704,772.27	518,946,415.96

Notes of the category for short-term loans:

The short-term borrowing includes interest payable of RMB1,116,261.00.

## 24. Trading financial liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	46,785,831.47	4,276,929.70
Of which:		
Derivative financial liabilities	46,785,831.47	4,276,929.70
Of which:		
Total	46,785,831.47	4,276,929.70

## 25. 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 without the reason for non-payment.

## 26. Accounts Payable

### (1) List of accounts payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	127,198,717.36	112,354,158.59
Engineering equipment	106,150,377.55	91,747,417.03
Others	42,153,820.14	42,486,888.12
Total	275,502,915.05	246,588,463.74

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

Other notes:

No significant accounts payable over one year old at the end of the Current Period.

## 27. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	441,113.64	441,113.64
Other payables	47,108,259.88	82,916,183.07
Total	47,549,373.52	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

### (2) Other Payables

#### 1) Other payables listed by nature

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	5,026,687.70	4,246,108.66
Collecting payment on behalf of others	213,812.12	
Restricted stock repurchase obligations	31,556,265.00	65,286,630.00

Others	10,311,495.06	13,383,444.41
<b>Total</b>	<b>47,108,259.88</b>	<b>82,916,183.07</b>

## 28. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advance from sales	203,270,689.03	221,918,730.24
Less: contract liability recorded in other current liabilities	-15,197,353.14	-15,039,057.71
<b>Total</b>	<b>188,073,335.89</b>	<b>206,879,672.53</b>

Significant contract liabilities aging over one year

Item	Ending balance	Unpaid/Un-carry-over reason
Customer 1	19,560,409.21	Heating facilities supporting fees not yet carried forward
Customer 2	18,808,502.64	Heating facilities supporting fees not yet carried forward
<b>Total</b>	<b>38,368,911.85</b>	

## 29. 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	1,380,521,850.73	1,425,512,351.86	284,329,504.63
II. Post-employment benefit-defined contribution plans	707,153.96	167,306,350.87	167,998,035.74	15,469.09
III. Termination benefits		1,370,190.45	1,370,190.45	
<b>Total</b>	<b>330,027,159.72</b>	<b>1,549,198,392.05</b>	<b>1,594,880,578.05</b>	<b>284,344,973.72</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	1,232,900,966.76	1,284,241,350.60	213,425,517.98
2. Employee welfare		40,393,339.27	40,181,656.19	211,683.08
3. Social insurance	35,064.83	76,075,327.71	76,077,856.04	32,536.50
Of which: Medical insurance premiums	17,115.51	68,938,742.30	68,924,446.33	31,411.48
Work-related injury insurance	6,185.58	7,128,808.57	7,134,619.14	375.01



premiums				
Maternity insurance	11,763.74	7,776.84	18,790.57	750.01
4. Housing fund		10,218,812.40	10,218,812.40	
5. Labor union budget and employee education budget	64,519,039.11	20,933,404.59	14,792,676.63	70,659,767.07
Total	329,320,005.76	1,380,521,850.73	1,425,512,351.86	284,329,504.63

### (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	159,190,927.09	159,620,164.87	15,000.32
2. Unemployment insurance premiums	262,915.86	8,115,423.78	8,377,870.87	468.77
Total	707,153.96	167,306,350.87	167,998,035.74	15,469.09

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.

### 30. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	15,261,850.74	8,191,703.94
Enterprise income tax	14,347,230.63	7,853,201.82
Personal income tax	1,266,426.62	1,070,729.43
Urban maintenance and construction tax	2,753,492.14	3,625,674.57
Stamp duty	848,769.75	760,689.83
Real estate tax	5,059,177.21	5,023,343.97
Land use tax	668,899.85	1,980,295.59
Educational fee	1,253,814.31	1,602,333.55
Local education surcharge	843,626.22	1,068,222.36
Tax on natural resources	31,938.00	99,406.00
Environmental protection tax	298,007.08	207,841.00
Total	42,633,232.55	31,483,442.06

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

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings matured within 1 year	88,930,000.00	300,800,000.00
Lease obligation matured within 1 year	7,277,192.49	7,121,837.35
Total	96,207,192.49	307,921,837.35

**32. Other current liabilities**

Unit: RMB

Item	Ending balance	Beginning balance
Tax to be charged off	15,197,353.14	15,039,057.71
Endorsed undue bill under non-derecognition	48,449,554.97	51,849,967.46
Total	63,646,908.11	66,889,025.17

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

Unit: RMB

Item	Ending balance	Beginning balance
Credit loan	348,922,974.40	487,231,096.24
Less: current portion of long-term borrowings	-88,930,000.00	-300,800,000.00
Total	259,992,974.40	186,431,096.24

**34. Bonds Payable****(1) Bonds payable**

Unit: RMB

Item	Ending balance	Beginning balance
Convertible corporate bonds	1,476,572,070.79	1,438,162,231.27
Total	1,476,572,070.79	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	Coupon rate	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	Default or not
LuThai Convertible Bond (127016)	1,400,000,000.00		9 April 2020	6 years	1,400,000,000.00	1,438,162,231.27		19,077,097.64	33,334,276.89	13,998,535.01	3,000.00	1,476,572,070.79	No
Total	--				1,400,000,000.00	1,438,162,231.27		19,077,097.64	33,334,276.89	13,998,535.01	3,000.00	1,476,572,070.79	--

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

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

The coupon rates of the convertible 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 repurchased shares on 25 May 2023, and the conversion price of the convertible bond was adjusted accordingly to RMB8.73 per share on 26 May 2023. Upon the implementation of the 2021 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.

**35. Lease obligation**

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	123,608,615.06	139,634,635.96
Unrecognized financing costs	-29,751,198.16	-34,011,494.78
Less: Current portion of lease liabilities	-7,277,192.49	-7,121,837.35
Total	86,580,224.41	98,501,303.83

## Other notes

The amount of interest expense on lease liabilities accrued in 2023 was RMB4,548,154.54, which was included in financial costs - interest expense.

### 36. Long-term Payroll Payable

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

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	57,276,675.61	57,417,997.65
Total	57,276,675.61	57,417,997.65

### 37. 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	16,710,000.00	24,556,089.44	151,768,947.92	Government grants
Total	159,615,037.36	16,710,000.00	24,556,089.44	151,768,947.92	--

### 38. 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				-24,025,517.00	-24,025,517.00	863,607,634.00

Other notes:

(1) In accordance with the *Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share)*, reviewed and approved by the Company at 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, the Company repurchased 23,935,748 B shares 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. 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 25 May 2023.

(2) In conformity with the resolution of the 7th Meeting of the Tenth Board of Directors on 10 April 2023 and the resolution of the General Meeting of the Company on 12 May 2023, the *Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition*, all the 90,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and cancelled.

(3) A total of 231.00 shares of convertible bonds of the Company can be converted in the Reporting Period.

### 39. 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				152.97		71,383,677.78
Total		71,383,830.75				152.97		71,383,677.78

#### 40. 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	30,337,092.51	76,060,350.13	249,154,010.40
Other capital reserves	100,994,867.69	14,978,971.67	30,335,235.00	85,638,604.36
Total	395,872,135.71	45,316,064.18	106,395,585.13	334,792,614.76

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

(1) According to the Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share) reviewed and approved by the 2nd Meeting of the 10th Board of Directors held on 29 June 2022 and the 3rd Extraordinary General Meeting of 2022 held on 15 July 2022, the Company repurchased 23,935,748 B Shares, reducing the capital reserve - capital premium by RMB75,863,250.13.

(2) In conformity with the resolution of the 7th session of the Tenth Board of Directors on 10 April 2023 and the resolution of the General Meeting of the Company on 12 May 2023, the Proposal on Repurchase and Cancel Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition, all the 90,000 shares authorized to the original incentive personnel who did not conform to the incentive condition of the Company were repurchased and cancelled, reducing the capital reserve - capital premium by RMB197,100.00.

(3) In terms of the restricted stock incentive fees in the Reporting Period, the capital reserve - other capital reserve increased by RMB16,824,114.86. As for deferred income tax assets arising from the restricted stock incentive fees, the capital reserve - other capital reserves increased by RMB1,845,188.04. 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.

(4) The capital reserves—capital premium arising from the conversion of convertible bonds increased by RMB1,857.51 in the Reporting Period.

#### 41. 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		33,730,365.00	31,556,265.00
B shares repurchase	89,109,568.73	172,571,885.18	99,798,998.13	161,882,455.78
Total	154,396,198.73	172,571,885.18	133,529,363.13	193,438,720.78

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

(1) RMB33,730,365.00 was reduced due to the restricted stock expiration unlock and repurchase during the Reporting Period.

(2) According to the Proposal on Repurchase of the Company's Domestically Listed Foreign Shares (B Share) reviewed and approved by the 2nd Meeting of the 10th Board of Directors held on 29 June 2022 and the 3rd Extraordinary General Meeting of

2022 held on 15 July 2022, the Company repurchased 23,935,748 B Shares 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, with an increase of treasury B shares repurchased by RMB10,689,429.40 and a decrease of treasury B shares repurchased by RMB99,798,998.13 for the Current Period.

(3) The Company held the first extraordinary general meeting of 2023 on 6 July 2023, and deliberated and approved the Company's Domestically Listed Foreign Shares (B Share), which resulted in the repurchase of 37,490,645 B Shares and the increase of Treasury B Shares by RMB161,882,455.78.

#### 42. 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	23,715,953.79			1,710.25	23,714,243.54	3,521.47	131,343,141.63
Differences arising from translation of foreign currency-denominated financial statements	107,695,495.07	23,714,956.57				23,714,956.57		131,410,451.64
The changes of accounts receivable financing in fair value	-66,596.98	997.22			1,710.25	-713.03	3,521.47	-67,310.01
Total of other comprehensive income	107,628,898.09	23,715,953.79			1,710.25	23,714,243.54	3,521.47	131,343,141.63

#### 43. Special Reserve

Unit: RMB

Item	Beginning balance	Increase for the current	Decrease for the current	Ending balance
------	-------------------	--------------------------	--------------------------	----------------

		period	period	
Safety production costs		6,075,563.41	6,075,563.41	
Total		6,075,563.41	6,075,563.41	

#### 44. 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	45,536,678.80		1,257,319,442.76
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	1,215,124,336.54	45,536,678.80		1,260,661,015.34

#### 45. 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 total retained earnings of adjustments (“+” for increase, “-“ for decrease)		
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	403,444,254.42	963,864,819.43
Less: Withdrawal of statutory surplus reserves	45,536,678.80	
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserve		
Dividends of common shares payable	86,360,751.90	62,155,872.45
Dividends of common shares transferred to share capital		
Ending retained profits	6,762,457,543.07	6,490,910,719.35

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.

#### 46. Operating revenue and cost of sales

Unit: RMB

Item	Reporting period		Same period of last year	
	Operating Revenue	Cost of Sales	Operating Revenue	Cost of Sales
Main operations	5,769,590,109.14	4,436,999,330.60	6,720,748,535.92	4,980,066,404.04
Other operations	191,887,143.84	154,389,584.80	217,593,599.98	174,301,192.86
Total	5,961,477,252.98	4,591,388,915.40	6,938,342,135.90	5,154,367,596.90

Whether the lower of the net profit before and after deduction of non-recurring gains and losses through audit is negative

Yes  No

#### 47. Taxes and surtaxes

Unit: RMB

Item	Reporting period	Same period of last year
Urban maintenance and construction tax	16,393,990.50	21,551,569.33
Educational fee	7,007,721.81	9,360,764.03
Tax on natural resources	554,816.00	617,924.00
Real estate tax	21,199,515.92	19,206,856.99
Land use tax	9,265,984.60	8,259,276.46
Vehicle and vessel usage tax	76,087.36	75,267.28
Stamp duty	2,878,128.65	3,318,063.77
Local education surcharge	4,883,047.87	6,240,509.35
Environmental protection tax	1,000,678.29	836,933.87
Total	63,259,971.00	69,467,165.08

Other notes:

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

#### 48. Administrative expense

Unit: RMB

Item	Reporting period	Same period of last year
Salary	150,508,460.24	152,944,880.74
Warehouse funding	37,027,435.82	39,954,757.25
Depreciation charge	43,284,146.75	39,274,834.40
Office operating fee	22,400,178.37	23,920,159.03
Start-up costs	20,703,414.66	
Restricted stock incentive fees	16,758,063.86	39,975,678.06
Amortization of intangible assets	10,016,272.55	10,319,191.27
Labor-union expenditure	11,144,934.24	12,128,110.20



Travel expense	10,821,318.60	24,305,825.05
Security service charges	8,977,477.55	8,697,194.36
Decoration & repair expenses	8,198,163.75	9,477,943.54
Employee education budget	7,863,725.72	8,416,818.94
Energy cost	5,724,113.91	5,940,431.82
Insurance	3,383,248.24	3,211,971.72
Audit and assessment fees	3,307,933.56	3,330,698.66
Others	22,208,644.97	14,411,139.35
<b>Total</b>	<b>382,327,532.79</b>	<b>396,309,634.39</b>

#### 49. Selling expense

Item	Amount for the current period	Amount for the previous period
Salary	67,286,568.27	73,759,174.53
Sales service expenses	20,406,411.01	18,327,334.31
Advertising expense	19,238,310.32	15,425,043.50
Depreciation charge	7,009,619.02	6,866,294.03
Expense for repairmen and loss	8,413,985.12	4,276,970.89
Business entertainment expenses	3,958,206.27	3,128,859.41
Travel expenses	8,462,597.19	2,886,260.00
Insurance	3,063,096.84	2,658,882.85
Office cost	1,842,252.81	1,628,158.22
Express fees	2,458,673.29	1,557,023.97
Inspection fees	1,826,450.84	1,109,761.81
Others	4,488,643.23	5,305,333.20
<b>Total</b>	<b>148,454,814.21</b>	<b>136,929,096.72</b>

#### 50. R&D expense

Unit: RMB

Item	Reporting period	Same period of last year
Labor cost	127,993,607.00	148,381,734.76
Material expense	79,121,927.42	94,170,080.52
Depreciation charge	17,240,537.12	18,475,905.83
Other	15,419,271.64	15,397,091.15
<b>Total</b>	<b>239,775,343.18</b>	<b>276,424,812.26</b>

**50. Financial costs**

Unit: RMB

Item	Reporting period	Same period of last year
Interest expense	99,033,706.35	103,785,745.79
Less: Capitalized interest	-12,728,462.85	-15,141,537.04
Interest income	-52,183,151.33	-56,856,571.04
Add: Capitalized interest income	1,130,278.69	6,992,839.09
Foreign exchange gains or losses	-37,916,375.66	-197,850,382.46
Less: Capitalized foreign exchange gains or losses		
Commission charge and other	8,112,849.27	10,118,775.99
<b>Total</b>	<b>5,448,844.47</b>	<b>-148,951,129.67</b>

**52. Other income**

Unit: RMB

Sources	Reporting period	Same period of last year
Subsidies for the price of heating coal	12,000,000.00	22,000,000.00
Subsidies for equipment	5,871,101.54	5,865,271.93
Subsidy for environmental protection	5,283,018.87	36,800.00
Human resources subsidy	4,382,702.42	1,856,682.75
Tax relief	4,209,600.05	385,950.34
R&D subsidy	3,565,104.58	2,783,850.60
Special funds for the conversion of new and old industrial kinetic energy	3,500,000.00	
Special fund for foreign trade and commerce and circulation	2,753,789.50	162,000.00
Land subsidy	1,354,251.84	1,354,251.84
Financing subsidy	952,000.00	1,554,100.00
Strengthen the enterprise government subsidy	768,900.00	136,600.00
Rebate of surcharges for withholding taxes	268,194.00	228,778.26
Reward for science and technology	150,000.00	500,000.00
Subsidy for public rental housing	48,231.48	48,231.48
Reward or funding for supporting high-quality development	10,000.00	12,000,000.00
Design reward	10,000.00	127,000.00
Export credit insurance subsidies		53,200.00
Subsidy for intellectual property rights		50,000.00
<b>Total</b>	<b>45,126,894.28</b>	<b>49,142,717.20</b>

**53. Gain on changes in fair value**

Unit: RMB

Sources	Reporting period	Same period of last year
Trading financial assets	-22,511,823.37	170,253,095.79
Of which: Income from changes in fair value generated by derivative financial instruments	-20,958,877.30	22,258,450.00
Trading financial liabilities	-42,508,901.77	-1,060,370.87
Total	-65,020,725.14	169,192,724.92

**54. Investment income**

Unit: RMB

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by equity method	-9,556,170.35	28,049,040.53
Investment income from holding of held-for-trading financial asset	10,537,021.78	2,869,023.84
Investment income from disposal of held-for-trading financial asset	38,383,757.03	-17,183,991.06
Total	39,364,608.46	13,734,073.31

**55. Credit impairment loss**

Unit: RMB

Item	Reporting period	Same period of last year
Loss on uncollectible notes receivable		6,394.34
Loss on uncollectible accounts receivable	-1,998,736.62	-17,054,611.68
Loss on uncollectible other receivables	-1,278,336.84	-2,584,146.40
Impairment losses on dividend receivable	977,015.71	1,498,035.63
Total	-2,300,057.75	-18,134,328.11

**56. Asset impairment loss**

Unit: RMB

Item	Reporting period	Same period of last year
I. Inventory falling price loss and impairment provision for contract performance costs	-88,745,330.21	-176,034,078.18
IV. Impairment loss on fixed assets	-17,131,456.31	-10,271,885.18
Total	-105,876,786.52	-186,305,963.36

**57. Asset disposal income**

Unit: RMB

Sources	Reporting period	Same period of last year
Fixed asset disposal income ("-" for loss)	-9,123,336.47	912,625.90

**58. 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	4,451,354.70	5,768,083.06	4,451,354.70
Gains on damage and scrap of non-current assets			
Other	1,250,000.00		1,250,000.00
Total	3,646,341.49	2,288,465.67	3,646,341.49

**59. Non-operating expense**

Unit: RMB

Item	Reporting period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donations	1,054,579.52	3,002,742.26	1,054,579.52
Losses from damage and scrap of non-current assets	1,868,432.90	1,140,993.34	1,868,432.90
Other	2,223,669.57	6,864,199.86	2,223,669.57
Total	5,146,681.99	11,007,935.46	5,146,681.99

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

Unit: RMB

Item	Reporting period	Same period of last year
Current income tax expense	40,870,126.23	62,770,917.90
Deferred income tax expense	-29,120.86	42,852,142.91
Total	40,841,005.37	105,623,060.81

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

Unit: RMB

Item	Reporting period
Profit before taxation	437,193,442.99

Current income tax expense accounted at statutory/applicable tax rate	65,579,016.45
Influence of applying different tax rates by subsidiaries	23,428,347.10
Influence of income tax before adjustment	-3,002,523.22
Influence of non-taxable income	-40,122,700.94
Influence of not deductible costs, expenses and losses	4,778,853.66
Influence of utilizing deductible losses of unrecognized deferred income tax assets from prior years	-911,104.31
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	15,964,538.16
Effect of changes in tax rates on the balance of deferred income taxes at the beginning of the period	-6,749.94
Influence of additional deduction of R&D expenses (filled in with "-")	-24,790,004.66
Influence of other expense deduction (filled in with "-")	-76,666.93
Income tax expense	40,841,005.37

## 61. Cash flow statement

### (1) Cash related to operating activities

#### Cash generated from other operating activities

Unit: RMB

Item	Reporting period	Same period of last year
Government subsidy	37,448,096.51	20,954,995.78
Claim income	40,162,446.43	4,139,336.63
Refund of prepaid income tax	18,522,628.85	
Recovery of employee borrowings, petty cash and deposit	11,200,463.32	17,611,761.21
Collection for employees	7,302,950.37	6,075,612.73
Others	729,876.18	1,425,970.41
<b>Total</b>	<b>115,366,461.66</b>	<b>50,207,676.76</b>

#### Cash used in other operating activities

Unit: RMB

Item	Reporting period	Same period of last year
Business travel charges	43,118,560.30	35,421,625.76
Insurance	4,041,804.87	5,836,194.04
Audit advisory announcement fee	5,707,687.46	5,987,087.33
Decoration & repair expenses	4,645,997.08	4,600,193.71
Donation	1,054,579.52	2,669,896.97

Payment of employee borrowings, petty cash and deposit	10,900,343.11	6,835,985.20
Agency service fee	21,262,143.20	17,283,324.08
Others	67,532,357.50	59,557,150.73
<b>Total</b>	<b>158,263,473.04</b>	<b>138,191,457.82</b>

## (2) Cash related to investing activities

### Cash generated from other investing activities

Unit: RMB

Item	Reporting period	Same period of last year
Interest income	52,875,557.97	46,470,970.15
Income from forward foreign exchange	16,121,450.00	13,555,720.28
Cash deposit of L/C for purchasing equipment		593,035.98
Resumption of forward settlement deposit		1,100,000.00
Time deposit maturity	84,335,748.58	27,493,598.92
<b>Total</b>	<b>153,332,756.55</b>	<b>89,213,325.33</b>

### Cash generated from important investing activities

Unit: RMB

Item	Reporting period	Same period of last year
Government bond reverse repo	8,566,561,000.00	
Structural deposits	777,500,000.00	
Wealth management products	90,000,000.00	120,000,000.00
<b>Total</b>	<b>9,434,061,000.00</b>	<b>120,000,000.00</b>

### Cash used in other investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Forward settlement exchange loss	5,140,000.00	31,709,481.57
Term deposits	33,470,284.27	34,335,748.58
Payment of deposit for the L/C of equipment purchase		813,117.05
Deposit for recognisance	86,463,622.94	51,418,261.88
Fund management and custodian fees		384,716.45
<b>Total</b>	<b>125,073,907.21</b>	<b>118,661,325.53</b>

Significant cash paid related to investing activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Government bond reverse repo	8,617,522,000.00	
Structural deposits	927,500,000.00	
Wealth management products		210,000,000.00
Total	9,545,022,000.00	210,000,000.00

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

Cash Generated from Other Financing Activities

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Others	98,800.40	
Total	98,800.40	

**Cash used in other financing activities**

Unit: RMB

Item	Reporting period	Same period of last year
Repayment of lease liabilities and prepaid rent	18,746,507.86	18,808,301.14
Time deposit certificates pledged		
Repurchase of B-shares	172,397,831.66	88,518,318.69
Total	191,144,339.52	107,326,619.83

Changes in liabilities arising from financing activities

 Applicable  Not applicable

Unit: RMB

Item	Beginning balance	Increase for the current period		Decrease for the current period		Ending balance
		Cash fluctuations	Non-cash fluctuations	Cash fluctuations	Non-cash fluctuations	
Short-term loan	518,946,415.96	1,025,659,608.53	26,306,004.60	969,094,904.70	-21,112,352.12	580,704,772.27
Long-term loans	487,231,096.24	263,965,597.90	14,511,765.07	416,785,484.81		348,922,974.40
Bonds payable	1,438,162,231.27		52,411,374.53	13,998,535.01	-3,000.00	1,476,572,070.79
Lease liabilities	105,623,141.18		6,980,783.58	18,746,507.86		93,857,416.90
Total	2,549,962,884.65	1,289,625,206.43	100,209,927.78	1,418,625,432.38	-21,115,352.12	2,500,057,234.36

**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	396,352,437.62	973,762,362.54
Add: Provision for impairment of assets	108,176,844.27	204,440,291.47
Depreciation of fixed assets, oil-gas assets, and productive biological assets	464,547,764.15	452,490,037.00
Depreciation of right-of-use assets	27,017,455.52	20,019,266.79
Amortization of intangible assets	10,577,354.94	10,743,417.28
Amortization of long-term prepaid expenses	3,990,981.43	3,477,274.40
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	9,123,336.47	-912,625.90
Losses from scrap of fixed assets (gains: negative)	618,432.90	1,140,993.34
Losses from changes in fair value (gains represented by "-")	65,020,725.14	-169,192,724.92
Finance costs (gains: negative)	-3,920,412.41	-164,912,714.11
Investment loss (gains represented by "-")	-39,364,608.46	-13,734,073.31
Decrease in deferred income tax assets (gains: negative)	-3,964,485.10	-15,819,979.75
Increase in deferred income tax liabilities ("- means decrease)	3,935,364.24	58,672,122.66
Decrease in inventory (gains: negative)	-15,594,018.10	159,794,066.40
Decrease in accounts receivable generated from operating activities (gains represented by "-")	-38,266,103.45	-31,919,160.89
Increase in accounts payable used in operating activities (decrease represented by "-")	-133,386,531.74	-65,737,778.74
Others		
Net cash flow from operating activities	854,864,537.42	1,422,310,774.26
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	1,353,615,305.93	1,822,897,270.16
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	-469,281,964.23	-147,109,614.73



**(2) Cash and cash equivalents**

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,353,615,305.93	1,822,897,270.16
Including: Cash on hand	2,633,018.72	2,360,089.79
Bank deposits on demand	1,079,820,776.67	1,810,590,630.08
Other monetary assets on demand	271,161,510.54	9,946,550.29
III. Ending balance of cash and cash equivalents	1,353,615,305.93	1,822,897,270.16

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

Unit: RMB

Item	Amount during the current period	Previous period	Reason for not classifying the item as cash and cash equivalents
Bank deposits -- time deposits of more than three months and less than one year	184,470,284.27	234,335,748.58	The Company will hold time deposits to maturity, not for the purpose of meeting short-term cash needs for external payments.
Other monetary funds – deposits, etc.	4,024,123.14	1,328,577.85	Restriction on use
Bank deposits -- interest receivable	16,142,334.69	9,206,657.38	Interests receivable
Total	204,636,742.10	244,870,983.81	

**63. Foreign currency monetary items****(1) Foreign currency monetary items**

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital			
Of which: USD	85,065,029.96	7.0827	602,490,087.69
EUR	439,918.26	7.8592	3,457,405.59
HKD	23,446,306.08	0.9062	21,247,042.57
JPY	22,373,205.00	0.0502	1,123,134.89
GBP	57.18	9.0411	516.97
CHF	16.44	8.4184	138.40
Dong	207,595,636,181.40	0.0003	60,636,723.13
MMK	780,934,830.92	0.0037	2,922,738.65
Riel	606,878,911.00	0.0002	132,664.45
Accounts receivable			

Of which: USD	85,886,215.38	7.0827	608,306,297.66
EUR	39,766.01	7.8592	312,529.03
HKD			
Dong	8,763,599,481.00	0.0003	2,559,764.57
Other receivables:			
Of which: USD	1,205,390.66	7.0827	8,537,420.41
EUR	12,500.00	7.8592	98,240.00
JPY	2,295,040.00	0.0502	115,211.01
Dong	1,091,424,231.08	0.0003	318,794.70
MMK	2,000,000.00	0.0037	7,485.23
Accounts payable:			
Of which: USD	12,437,691.67	7.0827	88,092,438.77
JPY	49,447,531.90	0.0502	2,482,266.10
EUR	196,402.00	7.8592	1,543,562.60
Dong	28,486,049,981.61	0.0003	8,320,505.95
MMK	60,335,790.00	0.0037	225,813.65
Other payables:			
Of which: USD	4,048.80	7.0827	28,676.43
Dong	1,038,335,423.00	0.0003	303,287.96
MMK	1,030,000.00	0.0037	3,854.89
Short-term borrowings:			
Of which: USD	75,028,363.07	7.0827	531,403,387.12
Dong	156,702,389,907.00	0.0003	45,771,286.94
Long-term borrowings			
Of which: USD			
EUR			
HKD			

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

Applicable Not applicable

The operating places of the Company's 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.

**64. Leases****(1) The Company Was Lessee:**

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

Item	Amount for the current period
Expense relating to short-term leases	316,024.16
Low-value lease expenses	
Variable lease payments that are not covered in the measurement of the lease liabilities	
Total	316,024.16

**(2) The Company Was Lessor:**

Operating leases with the Company as lessor

Applicable  Not applicable

Unit: RMB

Item	Rental income	Of which: Income related to variable lease payments not included in lease receipts
Rental income	3,696,885.97	0.00
Total	3,696,885.97	0.00

Finance leases with the Company as lessor

Applicable  Not applicable

Undiscounted lease receipts for each of the next five years

Applicable  Not applicable

Unit: RMB

Item	Undiscounted lease receipts per year	
	Investments at the end of the period	Investments at the beginning of the period
The first year	1,215,336.80	1,814,118.30
The second year	310,390.00	1,215,336.80
The third year		310,390.00

**(3) Recognition of Gain or Loss on Sales under Finance Leases with the Company as a Manufacturer or Distributor**

Applicable  Not applicable

## VIII. Research and Development Expenditure

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Labor cost	127,993,607.00	148,381,734.76
Material expense	79,121,927.42	94,170,080.52
Depreciation charge	17,240,537.12	18,475,905.83
Others	15,419,271.64	15,397,091.15
<b>Total</b>	<b>239,775,343.18</b>	<b>276,424,812.26</b>
Of which: Expensed research and development expenditure	239,775,343.18	276,424,812.26
Capitalized research and development expenditure		

## IX. 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:

There were no changes in the consolidation scope of the Company during the year.

## X. Equity in Other Entities

### 1. Equity in Subsidiary

#### (1) Compositions of the Group

Unit: RMB

Name	Registered capital	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
					Directly	Indirectly	
Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter referred to as "Lu Thai (HK)")	128,771,800.00	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Lu Thai Textile Garment Co., Ltd. (hereinafter referred to as "Shanghai Lu Thai")	20,000,000.00	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
LuFeng Company Limited (hereinafter referred to as "LuFeng Company")	706,160,000.00	Zibo	Zibo	Manufacturing industry	75.00%		Set-up

Zibo Luqun Textile Co., Ltd. (hereinafter referred to as "Luqun Textile")	168,220,000.00	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Zibo Xinsheng Thermal Power Co., Ltd. (hereinafter referred to as "Xinsheng Thermal Power")	162,435,600.00	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Shanghai Zhinuo Textile New Materials Co., Ltd. (hereinafter referred to as "Shanghai Zhinuo")	100,000,000.00	Shanghai	Shanghai	Technology development, technical consultancy and transfer of technologies	100.00%		Set-up
Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as "Lulian New Materials")	400,000,000.00	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Shandong Lujia IMP. & EXP. Co., Ltd. (hereinafter referred to as "Lujia IMP. & EXP.")	10,000,000.00	Zibo	Zibo	Import and export trade	100.00%		Set-up
Beijing Zhishu Management Consulting Co., Ltd. (hereinafter referred to as "Zhishu Consulting")	3,000,000.00	Beijing	Beijing	Wholesale and retail industry	100.00%		Set-up
Lu Thai Occupational Training School	100,000.00	Zibo	Zibo	Skill training	100.00%		Set-up
Zibo Banyang Villa Hotel Co., Ltd. (hereinafter referred to as "Banyang Villa")	5,000,000.00	Zibo	Zibo	Catering services	100.00%		Set-up
Hainan Huilin International Holdings Co., Ltd. ("Huilin International")	880,000,000.00	Wenchang	Wenchang	Modern service industry	100.00%		Set-up
TP Company	398,203,876.00	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Set-up
Vanguard Apparel Co., Ltd. (hereinafter referred to as "Vanguard Apparel")	62,337,887.93	Burma	Burma	Manufacturing industry	100.00%		Set-up
Lu Thai (USA) Textile Co., Ltd. (hereinafter referred to as	6,139,710.00	America	America	Wholesale and retail industry	100.00%		Set-up

"Lu Thai (USA)"							
Yuanhui Dividend No. 2 Private Securities Investment Fund ("Yuanhui Fund")					100.00%		Subscribe

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

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

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

Unit: RMB

Name	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	15,654,746.93		360,911,320.33	15,654,746.93
Lulian New Materials	-22,746,563.73		25,749,771.57	-22,746,563.73

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

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Lufeng Company Limited	925,170,025.16	666,351,350.97	1,591,521,376.13	89,644,274.83	53,272,778.47	142,917,053.30	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	83,522,389.78	568,103,983.74	651,626,373.52	545,641,487.47	3,082,529.50	548,724,016.97	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	1,375,045,198.83	57,390,726.91	57,411,695.78	-79,614,020.15	1,813,342,589.95	141,742,849.86	141,705,398.12	377,784,772.57
Lulian New	165,702,046.24	-	-	-	90,195,368.38	-	-	-

Materials		90,776,733.25	90,783,616.23	54,812,568.23		95,189,161.13	95,189,161.13	36,509,858.74
-----------	--	---------------	---------------	---------------	--	---------------	---------------	---------------

## 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	148,022,853.32	210,335,493.18	184,892,005.99	278,997,681.82
Non-current assets				
Total assets	148,022,853.32	210,335,493.18	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	144,768,987.27	210,335,493.18	181,636,775.90	278,997,681.82
Equity of non-controlling interests				
Equity attributable to shareholders of the Company as the parent	144,768,987.27	210,335,493.18	181,636,775.90	278,997,681.82
Net assets shares calculated at the shareholding proportion	48,257,699.71	100,161,761.85	60,547,749.28	132,856,975.88
Adjusted items				
- Goodwill				
- Unrealized profit of internal transactions				
- Others		-4,881,981.79		-9,236,099.47

Carrying value of investment to associated enterprises	48,257,699.71	95,279,780.06	60,547,749.28	123,620,876.41
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating Revenue				
Net profit	23,601,152.08	-45,732,975.48	-21,331,765.29	92,290,313.66
Net profit from discontinued operations				
Other comprehensive income	23,601,152.08	-45,732,975.48	-21,331,765.29	92,290,313.66
Total comprehensive income				
Dividends received from the associates in the current period				

## XI. Government Grants

### 1. Government Grants Included in Deferred Income

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Reason for formation
Government grants	159,615,037.36	16,710,000.00	24,556,089.44	151,768,947.92	Government grants
Total	159,615,037.36	16,710,000.00	24,556,089.44	151,768,947.92	

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

Item	Category	Beginning balance	Amount of newly subsidy for the current period	Amounts carried forward to profit or loss for the current period	Other changes	Ending balance	Listed items carried forward to profit or loss for the current period	Related to assets/income
Land subsidy	Financial appropriation	50,704,834.25		1,354,251.84		49,350,582.41	Other gains	Related to assets
Subsidies for equipment	Financial appropriation	98,991,448.82		5,871,101.54		93,120,347.28	Other gains	Related to assets
Overseas investment subsidies	Financial appropriation	1,927,400.00		1,927,400.00			Other gains	Related to assets
R&D subsidies	Financial appropriation	6,946,338.08	4,710,000.00	3,355,104.58		8,301,233.50	Other gains	Related to income



Subsidy for public rental housing	Financial appropriation	1,045,016.21		48,231.48		996,784.73	Other gains	Related to assets
Subsidies for the price of heating coal	Financial appropriation		12,000,000.00	12,000,000.00			Other gains	Related to income
<b>Total</b>		<b>159,615,037.36</b>	<b>16,710,000.00</b>	<b>24,556,089.44</b>		<b>151,768,947.92</b>		

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

Item	Category	Amounts included in profit or loss in the prior period	Amounts included in profit or loss for the current period	Listed items included in profit or loss	Related to assets/income
Subsidy for environmental protection	Financial appropriation	36,800.00	5,283,018.87	Other gains	Related to income
Human resources subsidy	Financial appropriation	1,856,682.75	4,382,702.42	Other gains	Related to income
Tax relief	Financial appropriation	385,950.34	4,209,600.05	Other gains	Related to income
Special funds for the conversion of new and old industrial kinetic energy	Financial appropriation		3,500,000.00	Other gains	Related to income
Financing subsidy	Financial appropriation	1,554,100.00	952,000.00	Other gains	Related to income
Special fund for foreign trade and commerce and circulation	Financial appropriation	162,000.00	826,389.50	Other gains	Related to income
Strengthen the enterprise government subsidy	Financial appropriation	136,600.00	768,900.00	Other gains	Related to income
Rebate of surcharges for withholding taxes	Financial appropriation	228,778.26	268,194.00	Other gains	Related to income
R&D subsidy	Financial appropriation		210,000.00	Other gains	Related to income
Reward for science and technology	Financial appropriation	500,000.00	150,000.00	Other gains	Related to income
Reward for supporting high-quality development	Financial appropriation	12,000,000.00	10,000.00	Other gains	Related to income
Design reward	Financial appropriation	127,000.00	10,000.00	Other gains	Related to income
Credit insurance subsidy	Financial appropriation	53,200.00		Other gains	Related to income
Subsidy for intellectual property rights	Financial appropriation	50,000.00		Other gains	Related to income
<b>Total</b>		<b>17,091,111.35</b>	<b>20,570,804.84</b>		

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

Item	Category	Amounts of offsetting related costs in the previous period	Amounts of offsetting related costs in the current period	Listed items of offsetting related costs	Related to assets/income
2021 Central foreign trade and economic development fund	Financial discount	1,110,000.00		Financial expenses	Related to income
Financial discount funds for loans	Financial discount	45,375.00	167,291.67	Financial expenses	Related to income

Total		1,155,375.00	167,291.67	
-------	--	--------------	------------	--

## XII. Risks Associated with Financial Instruments

### 1. Various Types of Risks Arising from Financial Instruments

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

#### 1. Risk management objectives and policies

The 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, interest rate risk and commodity price 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 investment in debt obligations etc.

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

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

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

In terms of accounts receivable, the top 5 customers in accounts receivable were accounted for 24.80% 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 69.38% of the total amount of other receivables of the Company (85.42% in 2022).

#### Investment in debt obligations

The Company generally limits its exposure to credit risk by investing only in securities for which there is an active market (other than long-term strategic investments) and for which the counterpart has a high credit rating.

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

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

	Ending balance	Closing balance of last year
Trading Financial Assets	203,706,725.51	90,644,869.48
<b>Total</b>	<b>203,706,725.51</b>	<b>90,644,869.48</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.

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

Item	Ending balance			
	Within one year	Within one to five years	Over 5 years	Total
Financial liabilities:				
Short-term loan	586,472,143.14			586,472,143.14
Accounts payable	275,502,915.05			275,502,915.05
Other payables	47,549,373.52			47,549,373.52
Long-term loans	96,845,778.69	269,810,195.43		366,655,974.12
Bonds payable		1,399,849,400.00		1,399,849,400.00
Lease liabilities	11,078,329.78	56,966,108.73	55,230,630.61	123,275,069.12
Total	1,017,448,540.18	1,726,625,704.16	55,230,630.61	2,799,304,874.95

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

Item	Closing balance of last year			
	Within one year	Within one to five years	Over 5 years	Total
Financial liabilities:				
Short-term loan	521,553,880.91			521,553,880.91
Notes payable	55,450,000.00			55,450,000.00
Accounts payable	246,588,463.74			246,588,463.74
Other payables	83,357,296.71			83,357,296.71
Long-term loans	313,817,516.92	187,722,213.76		501,539,730.68
Bonds payable		1,399,852,400.00		1,399,852,400.00
Lease liabilities	17,690,901.37	54,799,929.03	66,144,470.85	138,635,301.25
Total	1,238,458,059.65	1,642,374,542.79	66,144,470.85	2,946,977,073.29

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

### (3) Market risk

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

#### Interest rate risk

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

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

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

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

Item	Amount of Current Period	Amount of the Previous Period
Fixed-interest financial instruments		
Including: short-term borrowings	46,535.28	49,811.77
Current portion of long-term borrowings	230	19,880.00
Long-term borrowings	6,174.19	10,330.00
Bonds Payable	147,657.21	143,816.22
<b>Total</b>	<b>200,596.68</b>	<b>223,837.99</b>
Floating-interest financial instruments		
Financial assets	20,370.67	23,952.27
Including: trading financial assets	20,370.67	23,952.27
Financial liabilities	40,023.31	20,540.58
Including: short-term borrowings	11,535.20	2,077.58
Current portion of long-term borrowings	8,663.00	10,200.00
Long-term borrowings	19,825.11	8,263.00
<b>Total</b>	<b>60,393.98</b>	<b>44,492.85</b>

On 31 December 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 RMB3,479,700 (compared to RMB1,768,200 as of the end of last year).

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

#### Foreign exchange risk

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

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

On 31 December 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	
	Ending balance	Closing balance of last year	Ending balance	Closing balance of last year
USD	61,952.45	16,573.86	121,933.38	105,905.57
EUR	154.36	108.42	386.82	2,061.26
JPY	248.23	30.43	123.83	29.81
HKD			2,124.70	234.03
GBP			0.05	0.05
CHF			0.01	0.10
Dong	5,439.51	4,068.90	6,351.53	5,883.56
MMK	22.97	20.55	292.27	72.24
Riel			13.27	21.74
<b>Total</b>	<b>67,817.52</b>	<b>20,802.16</b>	<b>131,225.86</b>	<b>114,208.36</b>

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

Exchange rate fluctuations	This year		Last year	
	Impact on after-tax profit	Impact on shareholders' equity	Impact on after-tax profit	Impact on shareholders' equity
10% appreciation against RMB	-5,101.33	-5,101.33	-8,224.66	-8,224.66
10% depreciation against RMB	5,101.33	5,101.33	8,224.66	8,224.66

#### Other price risks

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

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

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

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

Item	After-tax profits up (down)		Other comprehensive income up (down)	
	Amount of Current Period	Amount of the Previous Period	Amount of Current Period	Amount of the Previous Period
Due to increase in the price of investments in equity securities	4,333.58	3,373.72		
Due to a decline in the price of investments in equity securities	-4,333.58	-3,373.72		

## 2. Capital management

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

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

The Group supervised the capital structure based on the asset-liability ratio (namely total liabilities divide total assets). On 31 December 2023, the asset-liability ratio was 28.39% of the Company (29.53% on 31 December 2022).

## 3. Financial asset transfer

### (1) Classification of transfer methods

Transfer methods	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Basis for determining derecognition
Bills endorsement	Receivables financing	104,758,467.20	Derecognition	Almost all risks and remuneration have been transferred.
Bills discounting	Receivables financing	47,179,972.31	Derecognition	Almost all risks and remuneration have been transferred.

Bills endorsement	Notes receivable	48,449,554.97	Not derecognized	
Bills discounting	Notes receivable	3,530,098.28	Not derecognized	
Lending securities on refinancing	Financial asset held for trading	88,435,500.00	Not derecognized	
<b>Total</b>		<b>292,353,592.76</b>		

## (2) Financial assets derecognized due to transfer

Item	Transfer methods	Derecognized amount	Gains or losses related to derecognition
Receivables financing	Bills endorsement	104,758,467.20	
Receivables financing	Bills discounting	47,179,972.31	-237,740.17
<b>Total</b>		<b>151,938,439.51</b>	<b>-237,740.17</b>

The total carrying value of the bank acceptance bills endorsed by the Company to the supplier but not due and bank acceptance bills discounted to the bank but not due amounted to RMB203,918,092.76, of which the Company believed that the notes receivable with a carrying value of RMB151,938,439.51 (31 December 2022: RMB470,254,140.70) had transferred almost all risks and rewards at the time of discounting, meeting the conditions for derecognition of financial assets. Therefore, the related notes receivable were derecognised. The maximum exposure to risk that continues to be associated with these derecognized notes receivable is equal to the undiscounted cash flows from the repurchase of the notes, which is equal to the carrying value of the notes receivable. The Company does not consider the continued involvement in the fair value of the derecognized notes receivable to be material.

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

Item	Asset transfer methods	Amount of assets formed due to continuous involvement	Amount of liabilities formed due to continuous involvement
Notes receivable	Bills endorsement	48,449,554.97	48,449,554.97
Notes receivable	Bills discounting	3,530,098.28	3,530,098.28
Financial asset held for trading	Lending securities on refinancing	88,435,500.00	
<b>Total</b>		<b>140,415,153.25</b>	<b>51,979,653.25</b>

**XIII. 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	294,181,265.07	429,619,010.32		723,800,275.39
1. Financial assets at fair value through profit or loss	294,181,265.07	429,619,010.32		723,800,275.39

(1) Investment in debt instruments	51,013,739.17	152,692,986.34		203,706,725.51
(2) Equity investments	243,167,525.90	266,664,992.45		509,832,518.35
(3) Derivative financial assets		10,261,031.53		10,261,031.53
(II) Accounts receivable financing			18,248,205.76	18,248,205.76
(III) Other non-current financial assets			88,750,000.00	88,750,000.00
Of which: Derivative financial liabilities		46,785,831.47		46,785,831.47
II. Inconsistent Fair Value Measurement	--	--	--	--

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

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

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

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

The Company determines the fair value of fund products based on the changes in net value published by the private equity funds.

The Company determines the fair value of option-based products 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 recognises the point at which the transition between levels based on the date of the event giving rise to the transition between levels. During this year, the restricted shares of Remegen Co., Ltd. held by the Company were released from lock-up and put on the market, therefore the fair value measurement of this transactional financial asset has been converted from level 2 to level 1. In addition to this transactional financial asset, there was no conversion between level 1 and level 2 in the fair value measurement of the Company's other current assets and other financial liabilities, and there was no transfer to or from level 3.

For a financial instrument with an active market, its fair value is determined by its quoted price in the active market; for a financial instrument without an active market, its fair value is determined by valuation techniques. The valuation models are mainly discounted cash flow models and market comparable company models, among others. The inputs to the valuation technique mainly include risk-free interest rate, benchmark interest rate, exchange rate, credit spreads, liquidity premium, and illiquidity discount.

## 6. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and financial liabilities measured at amortized cost mainly include monetary assets, other non-current assets - time deposits, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payables, other payables, current portion of long-term borrowings, long-term borrowings, and bonds payable.

## XIV. 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 X-1.

### 3. Information on the joint ventures and associated enterprises of the Company

Refer to Note X-2.

### 4. Information on other related parties

Name	Relationship with the company
Zibo Limin Purified Water Co., Ltd. (hereinafter referred to as "Limin Purified Water")	Wholly-owned subsidiary of the Company as the parent
Zibo Luqun Land Co., Ltd (hereinafter referred to as "Luqun Land")	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as "Lurui Chemical")	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
---	--

## 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
Chengshun Hosiery and Unikorn Nonwovens	Paper core, hosiery, hose, accessories, masks, etc.	7,193,988.38	10,916,666.67	Not	8,391,376.29
Limin Purified Water	Recycled water, sewage treatment	28,246,470.62	38,800,000.00	Not	27,043,524.89
Lurui Fine Chemical and Tung Hoi International	Auxiliaries	101,314,234.28	123,600,000.00	Not	98,968,301.33
Chengshun Economic and Trade	Supermarket retail	2,468,796.20	3,760,000.00	Not	5,306,076.78
Lucheng Petrochemical and Chengshun Petrochemical	Oil, natural gas	55,480,873.42	82,577,333.33	Not	58,883,721.33
Luqun Property	electrical	150,295.22			0.00

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting period	Same period of last year
Chengshun Hosiery	Materials, electricity, running water, heating, steam	255,336.33	308,201.04
Chengshun Hosiery	Yarn, garments, fabrics	552,386.10	638,004.63
Chengshun Trading	Materials, electricity, running water, yarn, garments, fabrics, food, heating, steam	200,452.64	219,216.70
Lucheng Petrochemical	Materials, electricity, garments, fabrics	14,104.15	17,310.31
Limin Purified Water	Materials, electricity, garments, fabrics, meal service in classes, foods	5,611,202.34	5,363,626.64
Limin Purified Water	Sludge treatment	283,018.87	
Lurui Fine Chemical	Materials, yarns, garments, fabrics, foods	295,841.93	165,895.59
Lujia Property	Materials, garments, fabrics, heating, steam	28,133.85	81,109.42
Xirui New Materials	Materials, garments, fabrics, waste cotton		114,574.26
Xirui New Materials	Catering service, drinks, benefits	114,555.82	271.70
Lumei Economic and Trade	Garments, fabrics, computer supplies	63.72	106.19

Luqun Property	Garments, fabrics, catering services	365,076.11	3,387.06
Luqun Property	Heating unit account opening	3,292,155.06	

## (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	16,800.00	

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					3,614,857.20	3,614,857.20	1,093,886.24	1,208,211.39		
Lucheng Textile	Rent of gas station					233,142.84	233,142.84	105,749.06	111,526.32		
Lucheng Textile	Rent of buildings					11,022,228.60	11,022,228.60	1,831,460.66	2,198,793.82		
Luqun Property	Rent of land and buildings					1,971,428.52	1,971,428.52	1,128,013.88	1,166,262.45		

## (3) Information on remuneration for key management personnel

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Remuneration for key management personnel	12,214,104.92	12,453,347.54

## 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	398,433.04	
Accounts payable	Tung Hoi International	5,597,739.70	976,966.23
Contract liability	Luqun Property		649,676.55

## XV. Stock Payment

### 1. The overall situation of share-based payments

Applicable Not applicable

Unit: RMB

Category of grant recipients	Awarded in the current period		Option exercise in the current period		Unlocked in the current period		Lapsed in the current period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management, core technical and business backbone					9,898,500.00	9,898,500.00	90,000.00	90,000.00
Total					9,898,500.00	9,898,500.00	90,000.00	90,000.00

Stock options or other equity instruments outstanding at the end of the period

Applicable Not applicable

### 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	N/A

estimates and the previous estimates	
Accumulated amount of equity-settled share-based payment included in capital reserves	85,059,530.52
The total amount of the expense recognized for the current period paid on equity-settled shares	16,758,063.86

### 3. Cash-settled share-based payments

Applicable  Not applicable

### 4. Share-Based Payment Expenses for the Period

Applicable  Not applicable

Unit: RMB

Category of grant recipients	Equity-settled share-based payments	Cash-settled share-based payments
Management, core technical and business backbone	16,758,063.86	
Total	16,758,063.86	

## XVI. 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	Ending balance	Closing balance of last year
Commitment on constructing and purchasing long-lived assets (RMB'0,000)	5,147.75	50,131.58

### 2. Contingency

#### (1) Significant Contingency on Balance Sheet Date

As at 31 December 2021, the Company provided guarantee to loans of the following subsidiaries:

Name	Item	Amount (USD)	Amount (RMB)	Duration	Notes
Wholly-owned Subsidiaries	Short-term loan	3,031,570.00	21,471,700.84	2023.9.8-2024.9.4	
Wholly-owned Subsidiaries	Short-term loan	297,333.00	2,105,920.44	2023.9.15-2024.9.9	
Wholly-owned Subsidiaries	Short-term loan	1,309,320.00	9,273,520.76	2023.9.29-2024.9.23	
Wholly-owned Subsidiaries	Short-term loan	1,711,480.00	12,121,899.40	2023.10.5-2024.9.30	

Wholly-owned Subsidiaries	Short-term loan	170,429.00	1,207,097.48	2023.10.5-2024.9.30	
Wholly-owned Subsidiaries	Short-term loan	320,733.00	2,271,655.62	2023.10.10-2024.10.4	
Wholly-owned Subsidiaries	Short-term loan	102,204.85	723,886.29	2023.10.30-2024.10.24	
Wholly-owned Subsidiaries	Short-term loan	122,486.00	867,531.59	2023.11.2-2024.10.28	
Wholly-owned Subsidiaries	Short-term loan	2,188,363.67	15,499,523.37	2023.9.8-2024.9.4	
Wholly-owned Subsidiaries	Short-term loan	345,131.00	2,444,459.33	2023.9.15-2024.9.9	
<b>Total</b>		<b>9,599,050.52</b>	<b>67,987,195.12</b>		

**(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.

## **XVII. Events after Balance Sheet Date**

### **1. Distribution of Profit**

Amount to be distributed for every ten shares (RMB)	1.30
Dividend shares to be distributed for every ten shares (share)	0
Number of shares to be converted into share capital for every ten shares (share)	0
Amount to be distributed for every ten shares after consideration and approval (RMB)	1.30
Dividend shares to be distributed for every ten shares after consideration and approval (share)	0
Number of shares to be converted into share capital for every ten shares after consideration and approval (share)	0
Profit distribution plan	On 10 April 2024, the 20th meeting of the 10th Board of Directors of the Company approved the profit distribution plan for 2023 as follows: Based on the share capital of 817,431,206 shares after the completion of the repurchase and cancellation of the B Shares, it was proposed that cash dividends in the amount of RMB 106,266,056.78 would be distributed at the rate of RMB1.30 per 10 shares (inclusive of tax). The above distribution plan will be implemented after it is submitted to the 2023 Annual General Meeting of Shareholders for consideration and approval.

### **2. Notes to other events after balance sheet date**

As at 10 April 2024, the Company has no other events after balance sheet date that should be disclosed.

## XVIII. Notes of Main Items in the Financial Statements of the Company as the Parent

### 1. Accounts Receivable

#### (1) Disclosure by aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including 1 year)	380,684,242.95	386,580,998.61
One to two years	2,423,615.15	536,914.02
Two to three years	13,571.80	224,827.57
More than three years	3,026,023.60	4,460,653.98
Three to four years	20,913.49	4,150,455.06
Four to five years	3,005,110.11	310,198.92
Over 5 years		0.00
Total	386,147,453.50	391,803,394.18

#### (2) Disclosure by Withdrawal Methods for Bad Debts

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	5,481,360.70	1.42%	5,481,360.70	100.00%			4,856,146.97	1.24%	4,856,146.97	100.00%	
Of which:											
Accounts receivable withdrawal of bad debt provision of by group	380,666,092.80	98.58%	24,182,667.21	6.35%	356,483,425.59	386,947,247.21	98.76%	29,030,196.50	7.50%	357,917,050.71	
Of which:											

Group 1: Undue accounts (L/C)	35,791,868. 54	9.27%			35,791,868. 54					
Group 2: Undue accounts (credit insuranc e insured)	23,003,716. 87	5.96%	241,539.03	1.05%	22,762,177. 84	45,947,651. 98	11.73%	482,450.35	1.05%	45,465,201. 63
Group 3: Undue accounts (no credit insuranc e)	275,912,255 .37	71.45%	13,795,612 .77	5.00%	262,116,642 .60	272,913,162 .58	69.66%	13,645,658 .14	5.00%	259,267,504 .44
Group 4: Overdue accounts (credit insuranc e insured)	15,309,159. 83	3.96%	2,403,538. 09	15.70%	12,905,621. 74	31,716,529. 93	8.09%	4,979,495. 20	15.70%	26,737,034. 73
Group 5: Overdue accounts (no credit insuranc e)	30,649,092. 19	7.94%	7,741,977. 32	25.26%	22,907,114. 87	36,369,902. 72	9.28%	9,922,592. 81	27.28%	26,447,309. 91
<b>Total</b>	<b>386,147,453 .50</b>	<b>100.00 %</b>	<b>29,664,027 .91</b>	<b>7.68%</b>	<b>356,483,425 .59</b>	<b>391,803,394 .18</b>	<b>100.00 %</b>	<b>33,886,343 .47</b>	<b>8.65%</b>	<b>357,917,050 .71</b>

Bad debt provision separately accrued: 2023

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	2,705,609.83	2,705,609.83	2,751,489.34	2,751,489.34	100.00%	Customer in financial difficulty
Customer 2	1,986,544.97	1,986,544.97	2,729,871.36	2,729,871.36	100.00%	Customer in financial difficulty
Customer 3	90,959.35	90,959.35				
Customer 4	73,032.82	73,032.82				
<b>Total</b>	<b>4,856,146.97</b>	<b>4,856,146.97</b>	<b>5,481,360.70</b>	<b>5,481,360.70</b>		

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

Applicable Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversed or recovered	Verification	Others	
Bad debt provision	33,886,343.47	-4,099,047.34		123,268.22		29,664,027.91
Total	33,886,343.47	-4,099,047.34		123,268.22		29,664,027.91

**(4) Accounts Receivable Written-off in Current Period**

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	123,268.22

Notes to verification of accounts receivable:

There were no write-offs of significant accounts receivable.

**(5) Top 5 of the Ending Balance of the Accounts Receivable and the Contract Assets Collected according to Arrears Party**

Unit: RMB

Name of the entity	Ending balance of accounts receivable	Ending balance of contract assets	Ending balance of accounts receivable and contract assets	Proportion to total ending balance of accounts receivable and contract assets	Ending balance of bad debt provision of accounts receivable and impairment provision for contract assets
Customer 1	28,876,425.29		28,876,425.29	7.48%	1,443,821.26
Customer 2	27,146,545.63		27,146,545.63	7.03%	1,357,327.28
Customer 3	25,324,312.06		25,324,312.06	6.56%	1,266,215.60
Customer 4	14,010,862.76		14,010,862.76	3.63%	439,469.81
Customer 5	12,808,372.92		12,808,372.92	3.31%	640,418.65
Total	108,166,518.66	0.00	108,166,518.66	28.01%	5,147,252.60

**2. Notes Receivable**

Category	Ending balance			Closing balance of last year		
	Carrying amount	Bad debt provision	Carrying value	Carrying amount	Bad debt provision	Carrying value
Bank acceptance bills	54,622,178.42		54,622,178.42	49,401,876.98		49,401,876.98



Commercial acceptance bills					
L/C				49,946,887.38	49,946,887.38
<b>Total</b>	<b>54,622,178.42</b>		<b>54,622,178.42</b>	<b>99,348,764.36</b>	<b>99,348,764.36</b>

(1) The Company had no pledged notes receivable at the end of the period.

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

Category	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bills		36,529,780.40
Trade acceptance notes		
<b>Total</b>		<b>36,529,780.40</b>

(3) Disclosure by withdrawal methods for bad debts

Category	Ending balance					Closing balance of last year				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)		Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Bad debt provision separately accrued										
Withdrawal of bad debt provision by group	54,622,178.42	100			54,622,178.42	99,348,764.36	100			99,348,764.36
Of which:										
Commercial acceptance bills										
Bank acceptance bills with low credit ratings	54,622,178.42	100			54,622,178.42	99,348,764.36	100			99,348,764.36
<b>Total</b>	<b>54,622,178.42</b>	<b>100</b>			<b>54,622,178.42</b>	<b>99,348,764.36</b>	<b>100</b>			<b>99,348,764.36</b>

Notes receivable of bad debt provision withdrawn by groups

Grouping-based provision item: Bank acceptance bills with low credit ratings

Name	Ending balance		
	Notes receivable	Bad debt provision	Expected credit loss rate (%)
Bank acceptance bills with low credit ratings	54,622,178.42		
<b>Total</b>	<b>54,622,178.42</b>		

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

### 3. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable		18,563,298.39
Other receivables	2,064,459,414.54	1,964,032,236.60
Total	2,064,459,414.54	1,982,595,534.99

#### (1) Dividend Receivable

##### 1) Dividend Receivable Classification

Unit: RMB

Project (or investee)	Ending balance	Beginning balance
Sanchang Fengshou Cotton Industry Co., Ltd. (hereinafter referred to as "Fengshou Cotton")		19,540,314.10
Less: bad debt provision		-977,015.71
Total		18,563,298.39

##### 2) Disclosure by Withdrawal Methods for Bad Debts

Applicable Not applicable

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

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	-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 category**

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	2,060,091,836.09	1,914,694,616.18
Export rebates		9,934,992.64
Payment on behalf	6,736,525.76	9,769,724.73
Guarantee deposit and cash deposit	1,549,661.78	3,278,418.46
Borrowings and petty cash	1,533,557.54	968,504.94
Other	2,720,459.54	35,155,692.70
<b>Total</b>	<b>2,072,632,040.71</b>	<b>1,973,801,949.65</b>

**2) Disclosure by aging**

Unit: RMB

Aging	Ending balance	Beginning carrying amount
Within one year (including 1 year)	1,629,128,024.64	1,617,443,472.58
One to two years	184,755,200.00	176,434,854.82
Two to three years	79,555,623.95	177,216,762.10
More than three years	179,193,192.12	2,706,860.15
Three to four years	176,599,422.10	128,000.00
Four to five years	78,000.00	101,101.14
Over 5 years	2,515,770.02	2,477,759.01
<b>Total</b>	<b>2,072,632,040.71</b>	<b>1,973,801,949.65</b>

**(3) Disclosure by Withdrawal Methods for Bad Debts**

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	
Bad debt provision separately accrued	163,012.05	0.01%	163,012.05	100.00%	0.00					
Of which:										
Customer 1	163,012.05	0.01%	163,012.05	100.00%	0.00					

Withdrawal of bad debt provision by group	2,072,469,028.66	99.99%	8,009,614.12	0.39%	2,064,459,414.54	1,973,801,949.65	100.00%	9,769,713.05	0.50%	1,964,032,236.60
Of which:										
Receivables from related parties within the scope of consolidation	2,060,091,836.09	99.40%	6,180,275.51	0.30%	2,053,911,560.58	1,914,694,616.18	97.00%	5,744,083.85	0.30%	1,908,950,532.33
Tax receivable						9,934,992.64	0.50%	496,749.63	5.00%	9,438,243.01
Security deposit and margin receivable	1,549,661.78	0.07%	77,483.09	5.00%	1,472,178.69	3,278,418.46	0.17%	163,920.92	5.00%	3,114,497.54
Other receivables	10,827,530.79	0.52%	1,751,855.52	16.18%	9,075,675.27	45,893,922.37	2.33%	3,364,958.65	7.33%	42,528,963.72
Total	2,072,632,040.71	100.00%	8,172,626.17	0.39%	2,064,459,414.54	1,973,801,949.65	100.00%	9,769,713.05	0.50%	1,964,032,236.60

Bad debt provision separately accrued: Y2023

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	0.00	0.00	163,012.05	163,012.05	100.00%	Customer in financial difficulty
Total			163,012.05	163,012.05		

Withdrawal of bad debt provision by adopting the general mode of expected credit loss:

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	-1,916,310.87	156,211.94	163,012.05	-1,597,086.88
Balance of 31 December 2023	6,661,047.19	1,348,566.93	163,012.05	8,172,626.17

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

Applicable  Not applicable

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

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the current period				Ending balance
		Withdrawal	Reversed or recovered	Charged-off/Written-off	Others	
Bad debt provision	9,769,713.05	-1,597,086.88				8,172,626.17
Total	9,769,713.05	-1,597,086.88				8,172,626.17

#### 5) 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
Unit 1	Intercourse funds	822,828,423.87	Within 1 year and 1 to 2 years	39.70%	2,468,485.27
Unit 2	Intercourse funds	576,957,860.36	Within 1 year	27.84%	1,730,873.58
Unit 3	Intercourse funds	524,945,598.64	Within 1 year, 2 to 3 years and over 3 years	25.33%	1,574,836.80
Unit 4	Intercourse funds	135,330,898.54	Within 1 year	6.53%	405,992.70
Withholding and remitting of personal endowment insurance	Payment on behalf	3,540,114.13	Within 1 year	0.17%	177,005.71
Total		2,063,602,895.54		99.57%	6,357,194.06

#### 4. 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	3,446,169,376.50	10,209,050.00	3,435,960,326.50	2,885,254,556.40		2,885,254,556.40
Investment to joint ventures and associated enterprises	143,537,479.77		143,537,479.77	184,168,625.69		184,168,625.69
Total	3,589,706,856.27	10,209,050.00	3,579,497,806.27	3,069,423,182.09		3,069,423,182.09

**(1) Investment to subsidiaries**

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of depreciation reserve	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		0.00	10,209,050.00
VACL	62,337,238.57						62,337,238.57	
ZJ Textile	409,118,889.90			409,118,889.90				
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		1,000.00				6,000.00	
Zhishu Consulting	2,000,000.00						2,000,000.00	
Huilin International	859,967,290.00		770,032,710.00				1,630,000,000.00	
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>970,033,710.00</b>	<b>409,118,889.90</b>	<b>10,209,050.00</b>		<b>3,435,960,326.50</b>	<b>10,209,050.00</b>

**(2) Investment to joint ventures and associated enterprises**

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of depreciation reserve	Increase/decrease							Ending balance (carrying value)	Ending balance of depreciation reserve
			Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision		

I. Joint ventures											
II. Associated enterprises											
Haohong Investment	60,547,749.28			20,156,313.56	7,866,263.99					48,257,699.71	
Haoyin Investment	123,620,876.41			10,918,662.01	17,422,434.34					95,279,780.06	
Subtotal	184,168,625.69			31,074,975.57	9,556,170.35					143,537,479.77	
Total	184,168,625.69			31,074,975.57	9,556,170.35					143,537,479.77	

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

Applicable  Not applicable

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

Applicable  Not applicable

## 5. Operating Revenue and Cost of Sales

Unit: RMB

Item	Amount of the current period		Amount of the previous period	
	Revenue	Cost	Revenue	Cost
Principal business	3,147,505,850.27	2,471,357,276.44	3,907,554,376.70	2,899,728,853.91
Others	280,155,779.48	186,079,061.04	299,695,905.51	268,072,062.00
Total	3,427,661,629.75	2,657,436,337.48	4,207,250,282.21	3,167,800,915.91

## 6. Investment Income

Unit: RMB

Item	Amount of the current period	Amount of the previous period
Long-term equity investment income accounted by cost method	170,639,188.72	106,856,787.62
Long-term equity investment income accounted by equity method	-9,556,170.35	28,049,040.53
Investment income from disposal of long-term equity investment	22,374,515.10	34,470,026.17
Investment income from holding of held-for-trading financial asset	3,837,780.60	
Investment income from disposal of trading financial assets	30,146,964.78	-19,441,900.00
Total	217,442,278.85	149,933,954.32

## XIX. Supplementary Materials

### 1. Items and Amounts of Non-recurring Profit or Loss

Applicable Not applicable

Unit: RMB

Item	amount	Note
Gains and losses on disposal of non-current assets	-9,741,769.37	
Government grants recognized in profit or loss for the current period (except for government grants closely related to the Company's normal operating business, in compliance with national policies and in accordance with defined criteria, and having a continuous impact on the Company's profit or loss)	45,294,185.95	
Gains and losses arising from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains and losses arising from the disposal of financial assets and financial liabilities, other than effective hedging business related to the Company's normal operating business	-18,190,072.86	
Reversal of provision for impairment of receivables separately tested for impairment	163,992.17	
Other non-operating income and expense other than the above	4,819,447.10	
Less: Income tax effects	4,629,001.56	
Non-controlling interests effects (after tax)	407,964.01	
Total	17,308,817.42	--

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	4.40%	0.47	0.42
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	4.21%	0.45	0.41

Chairman of the Board: Liu Zibin



Lu Thai Textile Co., Ltd.

12 April 2024