



LU THAI TEXTILE CO., LTD.

INTERIM REPORT 2025

August 2025

Part I Important Notes, Table of Contents and Definitions

The Board of Directors (or the “Board”) and the directors, as well as senior executives 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 of “XI Risks Facing the Company and Countermeasures” in Part III “Management Discussion and Analysis” of this Report. *Securities Times, Shanghai Securities News, China Securities Journal, Ta Kung Pao* and www.cninfo.com.cn have been designated by the Company for its information disclosure in 2025. 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 *Self-Regulatory Guidelines of*

Shenzhen Stock Exchange for Listed Companies No.3 - Industry Information Disclosure.

In H1 2025, the global geopolitical situation became more complex, economic growth slowed down, and uncertainties risks in global trade accelerated. By implementing proactive macroeconomic policies, China's economy maintained generally stable and improving performance during this period. According to data released by the National Bureau of Statistics, China's gross domestic product (GDP) grew by 5.3% year-on-year in the first six months, and the total retail sales of consumer goods reached RMB24.55 trillion, a year-on-year-increase of 5.0%. Against this backdrop, China's textile industry faced certain pressures in foreign trade but demonstrated overall stability. Based on data released by the China Customs Express, the total export value of textiles and apparel reached USD143.98 billion in the first half of the year, reflecting a year-on-year increase of 0.8%. Leveraging the competitive strengths of the full industrial chain and globalized operations, textile foreign trade enterprises swiftly adjusted their business strategies, proactively responded to changes in the external environment, and focused on mitigating foreign trade risks. The efforts to diversify international market layout have gradually yielded results. Looking ahead to the full year, the global economic development environment remains complex and severe, and consolidating the foundation for stable and improving growth still faces many challenges. For details, please refer to Part III Management Discussion and Analysis.

The Board of Directors has approved a final dividend plan as follows: based on the share capital of 817,306,563 shares, a cash dividend of RMB1.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus shares issue from either profit or capital reserves.

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Documents Available for Reference

I. The financial statements signed and stamped by the Company's legal representative and head of accounting affairs and head of the accounting department; and

II. 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	Refers to	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Refers to	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	Refers to	The Board of Directors of Lu Thai Textile Co., Ltd.
CSRC	Refers to	The China Securities Regulatory Commission
RMB, RMB’0,000	Refers to	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “ <i>Company Law</i> ”	Refers to	<i>The Company Law of the People’s Republic of China</i>
The “ <i>Securities Law</i> ”	Refers to	<i>The Securities Law of the People’s Republic of China</i>
The “Reporting Period” or “Current Period”	Refers to	The period from January 1, 2025 to June 30, 2025

Part II Corporate Information and Key Financial Information

I Corporate Information

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

II Contact Information

	Board Secretary	Securities Representative
Name	Zheng Weiyin	Li Kun
Address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China
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Fax	0533-5418805	0533-5418805
Email address	wyzheng@lttc.com.cn	likun@lttc.com.cn

III Other Information

1. Contact Information of the Company

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

☐ Applicable ☒ Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2024 Annual Report.

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

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

☐ Applicable ☒ Not applicable

The website of the Shenzhen Stock Exchange, media and website where the Company's periodic reports are disclosed, as well as the place for lodging such reports did not change in the Reporting Period. The said information can be found in the 2024 Annual Report.

3. Other Information

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

☐ Applicable ☒ Not applicable

IV Key Financial Information

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

☐ Yes ☒ No

	H1 2025	H1 2024	Change (%)
Operating revenue (RMB)	2,827,110,139.70	2,830,488,685.61	-0.12%
Net profit attributable to the listed company's shareholders (RMB)	360,215,726.72	169,559,969.54	112.44%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	225,615,338.79	263,731,284.55	-14.45%
Net cash flow from operating activities (RMB)	263,993,640.96	451,421,652.69	-41.52%
EPS-basic (RMB/share)	0.44	0.21	109.52%
EPS-diluted (RMB/share)	0.40	0.19	110.53%
Weighted average ROE (%)	3.75%	1.83%	1.92%
	June 30, 2025	December 31, 2024	Change (%)
Total assets (RMB)	13,877,337,463.13	13,929,715,649.21	-0.38%
Equity attributable to the listed company's shareholders (RMB)	9,709,820,392.54	9,438,728,389.28	2.87%

Net profit excluding share-based payment expense

	H1 2025
Net profit excluding share-based payment expense (RMB)	367,958,307.91

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

1. Net Profit and Net Assets Differences under CAS and IFRS

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

2. Net Profit and Net Assets Differences under CAS and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

VI Exceptional Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-484,650.50	
Government grants recognized in profit or loss for the Current Period (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)	11,318,154.97	
Gain/loss on changes in fair value in financial assets and liabilities held by a non-financial enterprise, as well as on disposal of financial assets and financial liabilities (exclusive of the effective portion of hedges that is related to the Company's normal business operations)	143,576,091.96	
Non-operating income and expense other than the above	5,423,599.73	
Less: Income tax effects	24,241,165.21	
Non-controlling interests effects (after tax)	991,643.02	
Total	134,600,387.93	

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—Non-recurring Gains and Losses*:

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Management Discussion and Analysis

I Principal Activity of the Company in the Reporting Period

Since the beginning of this year, factors such as insufficient global consumer demand, geopolitical conflicts, and rising trade protectionism have exerted considerable pressure on the development of the textile and apparel industry. Confronted with a complex and volatile economic landscape and industry environment, the Company has adhered to the “customer-focused” philosophy, firmly implemented the dual strategies of “Improve Quality and Efficiency” and “Overall Internationalization”, intensified market expansion efforts, and actively integrated into the dual-circulation development pattern of both domestic and international markets. During the Reporting Period, all production and operational activities were carried out in an orderly manner. For the Reporting Period, the Company achieved operating revenue of RMB2,827 million, operating profit of RMB419 million, a net profit attributable to the parent company of RMB360 million, and a net profit attributable to the parent company before exceptional gains and losses of RMB226 million, respectively down 0.12%, up 117.58%, up 112.44%, and down 14.45% when compared with the same period of 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 recognized as an “AAA Credit Enterprise” by the China Enterprise Confederation and China Entrepreneur Association. It was awarded the “Outstanding Contribution Award for High-Quality Development of Private Economy in Shandong Province” by the Shandong Provincial Development and Reform Commission and the Shandong Provincial Department of Industry and Information Technology. Furthermore, in the “2025 China Brand Value Evaluation Information” released by the China Council for Brand Development, the Company’s brand value ranked ninth in the industry for textiles, apparels, shoes and hats. The Company mainly focused on the following aspects:

i. Emphasize channel development and create a diversified market layout

The Company placed great emphasis on exploring both domestic and international markets, actively advancing the development and sales of casual fabrics and multi-category apparel. It expanded into consumer markets such as workwear and school uniforms, as well as online sales channels, while providing one-stop solutions for apparel-related product categories. By continuously enriching its product portfolio and leveraging advantages in production capability and product quality, the Company consistently met customer needs. On the other hand, capitalizing on its existing overseas production bases in Southeast Asia, the Company intensified efforts to develop markets in countries and regions along the “Belt and Road” initiative. It continued to optimize production capacity at overseas facilities, participated in various types of exhibitions, and focused on developing new products and acquiring new customers, while also emphasizing the prevention and diversification of trade risks.

ii. Empower with innovation to promote high-end product system development

The Company advanced the reform of its R&D system, leveraging the advantages of the full industry chain and its domestic and international production and design platforms to continuously improve its new product development and technology research system. Focusing on product functionality enhancement, green and sustainable product development, and processing technology research, it further strengthened its market-oriented development and research system. Emphasis was placed on the commercialization of technological achievements, custom development for strategic customers, and the development of new materials such as linen and elastic fabrics, as well as new products for trousers and women’s wear fabrics, maintaining the Company’s leading position in the global mid-to-high-end fabric market. During the Reporting Period, the Company was granted 25 patents, including 19 for invention and six for utility models.

iii. Focus on talent development and strengthen multi-tiered talent reserves

The Company has continuously innovated its vocational education collaboration model with educational institutions at various levels, implementing “order-based training” and “dual-system” education programs dedicated to cultivating applied, innovative, and high-quality professionals. It engaged in specialized research partnerships with universities, actively contributing to solving

critical bottleneck technologies in the industry. By providing cutting-edge research topics and advanced scientific conditions, the Company attracted and nurtured young top-tier research talent. On the other hand, emphasis was placed on building localized talent teams at overseas production bases. A variety of professional skill training programs were carried out across all product lines, enhancing the technical capabilities of all employees. Through a combination of internal training and external cooperation, the Company established a solid talent foundation to support its growth.

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

This year, the international environment has been complex and volatile, and the international economic and trade order has faced challenges. Confronted with weak demand and challenges in both domestic and overseas markets, China's textile industry has solidly advanced industrial structure optimization and adjustment, and deepened the transformation and upgrading of foreign trade. Supported by the country's proactive macroeconomic policies, the industry maintained a generally stable economic performance in the first half of the year, with exports sustaining growth under heavy pressure. According to data from the National Bureau of Statistics and the General Administration of Customs, in the first half of the year, Chinese residents' consumer demand for clothing continued to be released, with per capita clothing consumption expenditure increasing by 2.1% year-on-year. In terms of export data, from January to June, China's cumulative textile exports reached USD70.52 billion, up 1.8% year-on-year, while apparel exports amounted to USD73.46 billion, down slightly by 0.2% year-on-year. Relying on its complete industrial system, advanced manufacturing advantages, and diversified international market layout, China's textile industry has continued to consolidate and accumulate development resilience amid a complex external environment. Looking ahead to the second half of the year, the textile industry still faces multiple uncertainties. Enterprises in the industry need to adhere to the development orientation of "technology, fashion, green, and health," actively prevent and mitigate risks and challenges in the foreign trade sector, counter the uncertainties in the external market environment with the certainty of high-quality development, and strive to promote the stable operation of the textile industry throughout the year.

II Core Competitiveness Analysis

1. The Company has a comprehensive vertical industrial chain and internationalized layout. It possesses the whole industrial chain integrating spinning, bleaching and dyeing, neatening, testing, and garment making, as well as excellent quality control capabilities through various links of the production of high-end yarn-dyed fabrics. The Company has established overseas production bases, design institutions, and market service agencies, enabling it to integrate and allocate international resources. This leverages the advantages of its global industrial layout and highlights its leading position in the production of yarn-dyed fabrics.
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 by relying on various technical platforms including the National Enterprise Technical Centre, the National Industrial Design Centre, the National Post-doctoral Scientific Research Station and Shandong Provincial Engineering Technology Research Centre. It has established long-term technical cooperation and joint product development with various research institutes, colleges and universities, strategic clients and important suppliers. Emphasizing 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 product integration 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 materializing low-carbon, green, and sustainable development.

III Core Business Analysis

Overview:

See contents under the heading “I Principal Activity of the Company in the Reporting Period” above.

Year-on-year changes in key financial data:

Unit: RMB

	H1 2025	H1 2024	Year-on-year change (%)	Main reason for change
Operating revenue	2,827,110,139.70	2,830,488,685.61	-0.12%	
Cost of sales	2,168,474,896.26	2,131,993,492.13	1.71%	
Selling expense	69,698,089.77	63,286,721.28	10.13%	
Administrative expense	162,947,077.39	158,805,160.69	2.61%	
Financial expenses	-7,802,571.11	4,249,591.93	-283.61%	Increased interest income year-on-year
Income tax expense	56,505,920.02	18,864,805.79	199.53%	Increased profit before tax year-on-year
R&D investments	100,446,619.98	115,374,597.19	-12.94%	
Net cash flow from operating activities	263,993,640.96	451,421,652.69	-41.52%	Decreased cash received from sale of commodities and rendering of services year-on-year, and increased payments for commodities and services year-on-year
Net cash generated from/used in investing activities	3,304,744.78	-358,741,366.46	100.92%	Increased cash received from returns of investments year-on-year
Net cash generated from/used in financing activities	-195,993,183.24	195,943,296.16	-200.03%	Decreased cash received from borrowings year-on-year
Net increase in cash and cash equivalents	98,632,380.99	297,560,194.04	-66.85%	Decrease net cash flow from operating activities year-on-year

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

☐ Applicable ☒ Not applicable

No such changes in the Reporting Period.

Breakdown of operating revenue:

Unit: RMB

	H1 2025		H1 2024		Year-on-year change (%)
	Amount	As % of total operating revenue (%)	Amount	As % of total operating revenue (%)	
Total operating	2,827,110,139.70	100%	2,830,488,685.61	100%	-0.12%

revenue					
By operating division					
Textile and apparel	2,622,625,528.96	92.77%	2,626,711,642.70	92.80%	-0.16%
Electricity and steam	138,968,395.26	4.92%	136,341,429.91	4.82%	1.93%
Others	65,516,215.48	2.32%	67,435,613.00	2.38%	-2.85%
By product category					
Fabric products	1,850,500,289.50	65.46%	2,008,100,132.02	70.95%	-7.85%
Shirts	772,125,239.46	27.31%	618,611,510.68	21.86%	24.82%
Electricity and steam	138,968,395.26	4.92%	136,341,429.91	4.82%	1.93%
Others	65,516,215.48	2.32%	67,435,613.00	2.38%	-2.85%
By operating segment					
Japan and South Korea	190,375,773.38	6.73%	176,568,711.23	6.24%	7.82%
Southeast Asia	803,591,068.14	28.42%	806,827,260.35	28.50%	-0.40%
Europe and America	452,786,828.59	16.02%	428,358,783.88	15.13%	5.70%
Others	394,177,816.29	13.94%	362,087,336.11	12.79%	8.86%
China	986,178,653.30	34.88%	1,056,646,594.04	37.33%	-6.67%

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

☐ Applicable ☒ Not applicable

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

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Textile and apparel	2,622,625,528.96	1,992,220,046.81	24.04%	-0.16%	2.39%	-1.88%
By product category						
Fabric products	1,850,500,289.50	1,404,398,880.66	24.11%	-7.85%	-5.07%	-2.22%
Shirts	772,125,239.46	587,821,166.15	23.87%	24.82%	26.05%	-0.74%
By operating segment						
Southeast Asia	803,591,068.14	610,152,242.78	24.07%	-0.40%	2.58%	-2.21%
Europe and America	452,786,828.59	344,297,132.21	23.96%	5.70%	7.34%	-1.16%
China	986,178,653.30	769,918,838.24	21.93%	-6.67%	-5.73%	-0.78%

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

☐ Applicable ☒ Not applicable

Physical stores of the Company:

☐ Yes ☒ No

New physical stores:

☐ Yes ☒ No

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

☐ Yes ☒ No

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

1. Capacity

The Company's own capacity

Industry classification	Item	H1 2025	H1 2024
Fabric	Total capacity (fabrics) (10,000 meters)	13,927.00	14,415.00
	Rate of capacity utilization	72%	76%
	Plants under construction		The Company's convertible bond fundraising project, the "Overseas high-end fabric production line project (Phase I)", was in progress.
Apparel	Total capacity (apparel) (10,000 standard pieces)	1,359.00	1,220.00
	Rate of capacity utilization	95%	82%.
	Plants under construction		

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

√ Yes ☐ No

It was mainly due to the continuous increase in market expansion efforts in the apparel sector, increased orders and improved rate of capacity utilization.

Overseas capacity

√ Yes ☐ No

Industry classification	Item	Domestic	Overseas
Fabric	Percentage of capacity	69%	31%
	Capacity layout	Mainly in Shandong Province	Mainly in Southeast Asia
	Rate of capacity utilization	70%	76%
Apparel	Percentage of capacity	28%	72%
	Capacity layout	Mainly in Shandong Province	Mainly in Southeast Asia
	Rate of capacity utilization	95%	95%

2. Sales Model and Channels

Product sales channels and operation methods

a. Sales model

The Company adopted the order-based sales model. Relying on 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, as well as functions and environmental protection. Shirts were mainly made according to the orders of customers at home and abroad, and sold by brand owners.

The Company actively expanded its own brand portfolio. The Company operated its self-owned brand through self-owned exclusive shops such as Lu Thai Exhibition and Sales Pavilion, counters of affiliated stores in malls and e-networking marketing., expanding its business footprint through all channels. In addition, the Company also offered “high-end custom” shirt and corporate attire customization services to meet the diverse needs of the high-end service industry in a targeted manner.

b. Sales channels

Direct sales: The Company focused on its own brand, with a dedicated sales department responsible for managing the sales and after-sales services of the Company’s products. The global market was divided into different sales regions for management, with unified planning and deployment to effectively handle fabric and apparel orders, realizing product sales. Additionally, to enrich its terminal brand matrix and expand the market, the Company upgraded the product offerings of the “Luthai 1987” brand to continuously meet the diverse needs of end customers.

Online sales: To keep up with the digitalization wave, the Company was committed to expanding its online sales channels. On one hand, the Company built its own e-commerce platform, and deeply integrated corporate resources to directly connect the brand with consumers; on the other hand, it formed strategic partnerships with major well-known online shopping platforms. After transactions were completed through the internet, the goods were accurately delivered to customers via express delivery.

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	749,433.74	393,103.99	47.55%	-40.43%	-36.03%	-3.60%
Direct sales	1,855,360,083.83	1,405,930,298.22	24.22%	-7.85%	-5.08%	-2.21%
OEM/ODM	766,516,011.39	585,896,644.60	23.56%	25.23%	26.27%	-0.63%

Main reason for change

3. Selling Expense and Breakdown Thereof

Item	H1 2025	H1 2024	Amount of change	Percentage of change	Note
Salaries	32,470,002.40	32,065,926.42	404,075.98	1.26%	
Marketing expense	16,455,458.63	16,111,399.23	344,059.40	2.14%	
Depreciation charges	2,417,716.59	3,344,566.64	-926,850.05	-27.71%	
Business travel expenses	3,481,536.38	3,231,195.05	250,341.33	7.75%	
Office operating fee	9,776,313.03	5,569,616.81	4,206,696.22	75.53%	Increased repair materials consumption year-

					on-year
Others	5,097,062.74	2,964,017.13	2,133,045.61	71.96%	Increased courier fees year-on-year
Total	69,698,089.77	63,286,721.28	6,411,368.49	10.13%	

4. Franchise and Distribution

Franchisees and distributors recorded more than 30% of sales revenue

☐ Yes ☒ No

5. Online Sales

Online sales recorded more than 30% of sales revenue

☐ Yes ☒ No

Self-developed sales platforms

☒ Yes ☐ No

Start of operation	March 30, 2009
Number of registered users	150,000
Average number of active monthly users (AMU)	3,100
Return rate of main brands	2.90%
Return rate of main types	2.90%

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:

6. Agency Operation Model

Agency operation model involved

☐ Yes ☒ No

7. Inventory

Inventory

Main products	Days of turnover of inventories	Quantity of inventory	Inventory age	Year-on-year change in inventory balance	Reason
Fabrics (10,000 meters)	103	3,122.47	Within one year	-15.34%	
Fabrics (10,000 meters)		853.92	Over 1 year	18.98%	Investment during the trial production period of the overseas product line project of high-grade fabrics and stocking of printing and dyeing fabrics in advance

Shirts (10,000 pieces)	28	139.03	Within one year	-2.33%	
Shirts (10,000 pieces)		16.71	Over 1 year	9.33%	Inventories increased temporarily due to the need to consolidate some orders into batches for shipment.

Reserves for falling prices of inventory

Item	June 30, 2025		
	Carrying amount	Falling price reserves or provision for impairment on contract performance cost	Carrying value
Raw materials	861,633,868.63	59,031,398.97	802,602,469.66
Work-in-progress	437,205,502.40	9,493,261.67	427,712,240.73
Inventory goods	952,360,327.28	183,571,540.67	768,788,786.61
Commissioned products	13,584,476.92		13,584,476.92
Materials in transit	21,512,339.54		21,512,339.54
Total	2,286,296,514.77	252,096,201.31	2,034,200,313.46

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

Not applicable.

8. Brand Building

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

☒ Yes ☐ No

Self-owned brands

Brand name	Trademark name	Main product types	Characteristics	Target consumer group	Price zone of main products	Main sales areas	City levels
LTGRFF	LTGRFF	Shirts and suits	Classic business attire	Business people	RMB500-3000	East China, South China and Southwest China	Provincial capital cities and other prefecture-level cities
Luthai 1987	Luthai 1987	Shirts	Business, casual	Elite men	RMB500-3000	East China, South China and Southwest China	Provincial capital cities and other prefecture-level cities

Trademark right disputes

☐ Applicable ☒ Not applicable

9. Others

Engaged in business related to apparel design

☐ Yes ☒ No

Whether the Company held meetings for the placement of orders

☐ Yes ☒ No

V Non-Core Businesses Analysis

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	As % of profit before tax	Source/Reason	Recurrent or not
Return on investment	199,543,864.41	47.01%	Gain on sales of held-for-trading financial assets	Not
Gain/loss on changes in fair value	-53,613,179.42	-12.63%	Loss on changes in fair value of held-for-trading financial assets	Not
Asset impairments	-33,600,593.45	-7.92%	Inventory valuation allowances	Not
Non-operating income	8,777,411.25	2.07%	Income of non-operating compensation, etc.	Not
Non-operating expense	2,915,155.95	0.69%	Expenses on non-operating compensation, etc.	Not

VI Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	June 30, 2025		December 31, 2024		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capitals	2,139,114,115.40	15.41%	2,055,856,788.37	14.76%	0.65%	
Accounts receivable	747,239,605.77	5.38%	849,168,539.27	6.10%	-0.72%	
Inventories	2,034,200,313.46	14.66%	2,019,884,406.30	14.50%	0.16%	
Investment property	18,224,212.48	0.13%	18,675,533.63	0.13%	0.00%	
Long-term equity investments	107,611,314.66	0.78%	120,084,271.29	0.86%	-0.08%	
Fixed assets	5,814,725,044.82	41.90%	6,053,755,987.08	43.46%	-1.56%	
Construction in progress	134,284,190.34	0.97%	95,026,709.37	0.68%	0.29%	
Right-of-use assets	457,019,477.13	3.29%	470,238,928.19	3.38%	-0.09%	
Short-term loans	769,528,289.22	5.55%	849,686,824.33	6.10%	-0.55%	
Contract liabilities	157,554,001.78	1.14%	191,551,003.79	1.38%	-0.24%	
Long-term borrowings	408,154,596.91	2.94%	396,244,110.21	2.84%	0.10%	
Lease liabilities	80,382,387.04	0.58%	91,353,320.80	0.66%	-0.08%	

2. Major Assets Overseas

☒ Applicable ☐ Not applicable

Asset	Source	Asset value (RMB)	Location	Operation model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's net assets	Material impairment risk (yes/no)
Hong Kong company	Incorporated	243,497,659.56	Hong Kong	Trading	Main management personnel sent by the parent company	8,275,955.58	2.43%	Not
Overseas bases	Incorporated	4,697,025,821.09	Southeast Asia	Investment and production	Main management personnel sent by the parent company	91,303,512.31	46.85%	Not

3. Assets and Liabilities at Fair Value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes recorded in equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	693,496,222.45	-68,159,221.78	0.00	0.00	4,770,005,418.91	4,345,991,261.20	0.00	1,049,351,158.38
2. Derivative financial assets	476,450.19	-476,450.19	0.00	0.00	0.00	0.00	0.00	0.00
5. Other non-current financial assets	82,800,000.00	0.00	0.00	0.00	0.00	0.00	0.00	82,800,000.00
Subtotal of financial assets	776,772,672.64	-68,635,671.97	0.00	0.00	4,770,005,418.91	4,345,991,261.20	0.00	1,132,151,158.38
Others	10,184,900.59	0.00	-120,350.61	0.00	0.00	0.00	27,435,251.22	37,499,801.20
Total of the	786,957,57	-	-	0.00	4,770,005,4	4,345,991,2	27,435,251.	1,169,650,9

above	3.23	68,635,671.97	120,350.61		18.91	61.20	22	59.58
Financial liabilities	15,858,713.22	15,022,492.55	0.00	0.00	0.00	0.00	0.00	836,220.67

Content of other change:

Changes in receivables financing.

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

☐ Yes ☒ No

4. Restricted Asset Rights as at the Period-End

For details, see Part VIII. VII. “22. Assets with Restricted Ownership or Right to Use” 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	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
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			Period					ending net assets
Forward foreign exchange settlement	0	0	0	0	4,450.05	1,435.5	3,014.55	0.31%
Foreign exchange option	0	0	0	0	65,920	0	65,920	6.79%
Total	0	0	0	0	70,370.05	1,435.5	68,934.55	7.10%
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	<p>1. As at June 30, 2025, the Company held eight undue financial derivatives contracts with a total value of USD104.20 million, of which USD4.20 million were in forward foreign exchange settlements and USD100 million were in foreign exchange options.</p> <p>2. From January to June 2025, the total amount of all due financial derivatives of the Company was equivalent to USD2 million, which were all forward foreign exchange settlements and implemented based on contracts, incurring a loss of RMB118,300.</p>							
Effectiveness of hedges	The Company conducts foreign exchange (FX) derivative transactions with the intention of hedging. Specifically, the business is carried out to fix costs, avoid exchange rate risks and improve resistance against FX rate fluctuations. As a result, the Company has gained better capabilities of avoiding and preventing the risks of FX rate fluctuations, and the financial robustness of the Company has been enhanced.							
Capital source for derivative investment	The Company's self-owned funds							
Analysis on risks and control measures of derivative products held in the Reporting Period (including	<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>							

but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	<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 <i>Articles of Association</i>, the <i>Management Rules for Derivative Trading of Lu Thai Company</i>, and the Proposal on the <i>Company's Derivative Transaction Plan</i> deliberated and adopted at the 22nd meeting of the 10th session of the Board of Directors held on May 28, 2024, 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 <i>Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments</i> and <i>Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments</i> 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 foreign exchange option based on the bank's forward option quotations at the end of each month.</p>
Lawsuit (if applicable)	N/A
Disclosure date of board of directors announcement on approval of derivative	May 29, 2024

investment (if any)	
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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

No such cases in the Reporting Period.

VIII Sale of Major Assets and Equity Interests

1. Sale of Major Assets

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

☐ Applicable ☒ Not applicable

IX Major Subsidiaries

☒ Applicable ☐ Not applicable

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

Unit: RMB'0,000

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
LuFeng Company Limited	Subsidiary	Fabric	70616.00	170,738.42	126,733.68	49,336.03	3,093.20	2,844.32
Shandong Lulian New Materials Co., Ltd.	Subsidiary	Fabric	90000.00	62,523.63	54,767.05	5,282.67	-2,335.59	-2,319.52

Subsidiaries obtained or disposed in the Reporting Period:

☐ Applicable ☒ Not applicable

Information about major majority- and minority-owned subsidiaries:

LuFeng Company Limited is the holding subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.16 million. It is mainly engaged in manufacturing and selling textile printing and dyeing products and the products of clothing and garments, and it were authenticated to be high-tech enterprise in October 2014. During the Reporting Period, due to the global decline in consumer demand, the number of orders decreased, leading to a drop in both operating revenue and net profit.

Shandong Lulian New Materials Co., Ltd. is the wholly-owned subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB900 million. It is mainly engaged in manufacturing and selling functional fabrics. During the Reporting Period, the operating revenue and net profit were basically the same year-on-year.

X Structured Bodies Controlled by the Company

☒ Applicable ☐ Not applicable

See “X Equity in Other Entities” of Part VIII.

XI Risks Facing the Company and Countermeasures

1. Impact of economic environment: Amid ongoing risks such as the global economic environment and geopolitical conflicts, as well as weak economic growth, the Company continues to face challenges in terms of international trade policies and market changes. In response, the Company will rely on its global business network and vertical industrial chain, 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 domestic and overseas production, deeply studies the information of global cotton market, properly works out procurement strategy and gives full play to the advantages of global procurement of high-quality raw cotton.
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, with a significant increase in exchange rate flexibility. To lower the impact of exchange rate fluctuations, the Company stuck to the risk-neutral management philosophy. Based on actual needs arising from production and operations, it incorporated exchange rate risks into routine operations management, and flexibly allocated different types and maturities of foreign exchange derivatives for hedging purposes to minimize the influence of exchange rate risks on its operating results. 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 The Formulation and Implementation of the Market Value Management Policy and Valuation Improvement Plan

Has the Company established a market value management system?

☐ Yes ☒ No

Has the Company disclosed a valuation improvement plan?

☒ Yes ☐ No

In accordance with the China Securities Regulatory Commission’s *Guideline No. 10 for Listed Companies — Market Value Management*, companies with long-term market value below par are required to disclose their plans for improving the company’s valuation. As at December 31, 2024, the price of LTTC-shares had fallen into a long-term below-par situation. Therefore, in line with its industry position, development strategy, and business plans, the Company has formulated and disclosed a valuation enhancement plan. For specific details, please refer to the Valuation Enhancement Plan of Lu Thai Textile Co., Ltd. published by the Company on March 1, 2025 on <http://www.cninfo.com.cn>.

XIII Implementation of the Action Plan for “Dual Enhancement of Quality and Profitability”

Indicate whether the Company has disclosed the action plan for “Dual Enhancement of Quality and Profitability”.

☐ Yes ☒ No

Part IV Corporate Governance, Environmental and Social Matters

I Change of Directors, Supervisors and Senior Executives

☒ Applicable ☐ Not applicable

Name	Office title	Type of change	Date	Reason
Zhou Zhiji	Independent Director	Retirement after expiration of term	May 7, 2025	Dismissed
Qu Dongmei	Independent Director	Retirement after expiration of term	June 8, 2025	Board Change
Peng Yanli	Independent Director	Retirement after expiration of term	June 8, 2025	Board Change
Yu Mingtao	Independent Director	Elected	May 7, 2025	Job transfer
Zhu Beina	Independent Director	Elected	June 9, 2025	Board Change
Wei Jian	Independent Director	Elected	June 9, 2025	Board Change
Shang Chenggang	Chairman of the Board of Supervisors	Retirement after expiration of term	June 8, 2025	Board Change
Shang Chenggang	Senior management	Appointed	June 9, 2025	Board Change
Liu Zilong	Supervisor	Retirement after expiration of term	June 8, 2025	Board Change
Liu Zilong	Senior management	Appointed	June 9, 2025	Board Change
Dong Shibing	Supervisor	Retirement after expiration of term	June 8, 2025	Board Change
Dong Shibing	Senior management	Appointed	June 9, 2025	Board Change

II Interim Dividend Plan

☒ Applicable ☐ Not applicable

Bonus shares for every ten shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	1.00
Bonus issue from capital reserves (share/10 shares)	0
Total shares as the basis for the profit distribution proposal (share)	817306563
Cash dividends (RMB) (tax inclusive)	81,730,656.30
Cash dividends in other forms (such as share repurchase) (RMB)	0.00
Total cash dividends (including those in other forms) (RMB)	81,730,656.30
Distributable profit (RMB)	6,247,640,013.07
Total cash dividends (including those in other forms) as % of total profit distribution	100%
Cash dividend policy	
If the Company is in a mature development stage and has plans for any significant expenditure, in profit allocation, the ratio of cash dividends in the profit allocation shall be 40% or above.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
The Company plans to distribute a cash dividend of RMB1.00(inclusive of tax) for every 10 shares, based on a capital base of	

817,306,563 shares. The total amount of dividends calculated on this basis is RMB81,730,656.30. The personal 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 the Board of Directors' approval (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.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV. Environmental Information Disclosure

Whether the listed company and its major subsidiaries are included in the list of enterprises legally required to disclose environmental information

☒ Yes ☐ No

Number of enterprises included in the list of enterprises legally required to disclose environmental information		4
No.	Company name	Environmental information disclosure report index
1	Lu Thai Textile Co., Ltd.	Enterprise Environmental Information Legal Disclosure System (http://221.214.62.226:8090/EnvironmentDisclosure/)
2	LuFeng Company Limited	Enterprise Environmental Information Legal Disclosure System (http://221.214.62.226:8090/EnvironmentDisclosure/)
3	Shandong Lulian New Materials Co., Ltd.	Enterprise Environmental Information Legal Disclosure System (http://221.214.62.226:8090/EnvironmentDisclosure/)
4	Zibo Xinsheng Thermal Power Co., Ltd.	Enterprise Environmental Information Legal Disclosure System (http://221.214.62.226:8090/EnvironmentDisclosure/)

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

Related environmental accidents information

No such cases for the Reporting Period.

V Social Responsibility

Not applicable.

Part V Significant Events

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

☒ Applicable ☐ Not applicable

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

			<p>Commitment is made not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties. 4.</p> <p>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.</p> <p>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.</p> <p>From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 7. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by me. If I violate such commitment and causes losses to the Company or investors, I will bear the compensation responsibility to the Company or investors in accordance with the law.</p>			
Executed on time or not	Yes					

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

III Irregularities in the Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of Independent Auditor

Are the interim financial statements audited?

☐ Yes ☒ No

The interim financial statements have not been audited.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VII Insolvency and Reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits and arbitrations:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Other legal matters:

☐ Applicable ☒ Not applicable

IX Punishments and Rectifications

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

X Credit Quality of the Company as well as its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

XI Major Related-Party Transactions

1. Continuing Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

5. Transactions with Related Finance Companies

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

7. Other Major Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Major Contracts and Execution thereof**1. Entrustment, Contracting and Leases****(1) Entrustment**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(2) Contracting

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

(3) Leases

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

2. Major Guarantees

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries)										
Obligor	Disclosure date of the line of guarantee announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Term of guarantee	Having expired or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries										
Obligor	Disclosure date of the line of guarantee 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	August 26, 2022	23,623.38	August 24, 2022	0	Joint-liability	N/A	N/A	Three years since the approval of the Board of Directors of the Company	Yes	Yes
Wholly-owned subsidiary	July 1, 2023	7,158.6	June 30, 2023	0	Joint-liability	N/A	N/A	Three years since the approval of the Board of Directors of the Company	Yes	Yes
Total approved line of guarantee in the Reporting Period (B1)				0	Total actual amount of such guarantees in the Reporting Period (B2)		0			
Total approved line of guarantee at the end of the Reporting Period (B3)				30,781.98	Total actual balance of such guarantees at the end of the Reporting Period (B4)		0			
Guarantees provided between subsidiaries										
Obligor	Disclosure date of the line of guarantee 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	July 9, 2024	25,055.1	July 6, 2024	8,607.49	Joint-liability	N/A	N/A	Three years since the approval of the Board of Directors of the Company	Not	Yes
Wholly-owned subsidiary	August 30, 2024	21,475.8	August 28, 2024	3,579.3	Joint-liability	N/A	N/A	Three years since the approval of the Board of Directors of the Company	Not	Yes
Total approved line of guarantee in the Reporting Period (C1)		0		Total actual amount of such guarantees in the Reporting Period (C2)		12,039.39				
Total approved line of guarantee at the end of the Reporting Period (C3)		46,530.9		Total actual balance of such guarantees at the end of the Reporting Period (C4)		12,186.79				
Total guarantee amount (total of the three kinds of guarantees above)										
Total approved line of guarantee in the Reporting Period (A1+B1+C1)		0		Total actual guarantee amount in the Reporting Period (A2+B2+C2)		12,039.39				
Total approved line of guarantee at the end of the Reporting Period (A3+B3+C3)		77,312.88		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		12,186.79				
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				1.26%						
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% asset-liability 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:

None

The Company is subject to the disclosure requirements for listed companies engaging in textile and apparel as stated in *Self-*

Regulatory Guidelines of Shenzhen Stock Exchange for Listed Companies No.3 - Industry Information Disclosure.

Whether the Company provides guarantees or financial assistance for dealers

☐ Yes ☒ No

3. Cash Entrusted for Wealth Management

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount	Overdue amount with provision for impairment
Bank financial products	The Company's self-owned funds	82,000	47,000	0	0
Brokerage financial products	The Company's self-owned funds	42,472.9	30,017.1	0	0
Others	The Company's self-owned funds	0	40,000	0	0
Total		124,472.9	117,017.1	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

4. Other Major Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XIII Other Significant Events

☐ Applicable ☒ Not applicable

The Company had no other significant events to be stated during the Reporting Period.

XIV Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

Part VI Share Changes and Shareholder Information

I Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Number	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Others	Subtotal	Number	Percentage (%)
I. Restricted shares	2,660,892	0.33%				- 123,800	- 123,800	2,537,092	0.31%
1. Shares held by State									
2. Shares held by state-owned legal person									
3. Shares held by other domestic investors	2,660,892	0.33%				- 123,800	- 123,800	2,537,092	0.31%
Among which: Shares held by domestic legal person									
Shares held by domestic natural person	2,660,892	0.33%				- 123,800	- 123,800	2,537,092	0.31%
4. Shares held by other foreign investors									
Among which: Shares held by foreign legal person									
Shares held by foreign natural person									
II. Unrestricted shares	814,645,118	99.67%				124,212	124,212	814,769,330	99.69%

1. RMB ordinary shares	588,576,603	72.01%				124,212	124,212	588,700,815	72.03%
2. Domestically listed foreign shares	226,068,515	27.66%						226,068,515	27.66%
3. Overseas listed foreign shares									
4. Other									
III. Total shares	817,306,010	100.00%				412	412	817,306,422	100.00%

Reasons for share changes:

☒ Applicable ☐ Not applicable

a) Due to the fact that the Company had issued convertible A-share bonds on April 9, 2020, convertible bonds were converted to 412 shares in the period from the beginning of 2025 to June 30, 2025.

b) The shares held by the directors, supervisors and senior executives shall be adjusted in accordance with relevant regulations on senior management share management.

Approval of share changes:

☐ Applicable ☒ Not applicable

Transfer of share ownership:

☐ Applicable ☒ Not applicable

Progress on any share repurchases:

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

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

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

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☒ Applicable ☐ Not applicable

Unit: share

Name of the shareholders	Restricted shares amount at the period-begin	Restricted shares relieved of the period	Restricted shares increased of the period	Restricted shares amount at the period-end	Restricted reasons	Restricted shares relieved date
Zhang	435,225			435,225	Senior	Follow the regulations on

Zhanqi					management lock-up shares	executive share management
Yu Shouzheng	287,325			287,325	Senior management lock-up shares	Follow the regulations on executive share management
Zhang Keming	283,275			283,275	Senior management lock-up shares	Follow the regulations on executive share management
Li Wenji	260,000	65,000		195,000	Senior management lock-up shares	Follow the regulations on executive share management
Shang Chenggang	247,500			247,500	Senior management lock-up shares	Follow the regulations on executive share management
Wang Jiabin	235,275	58,800		176,475	Senior management lock-up shares	Follow the regulations on executive share management
Guo Heng	225,000			225,000	Senior management lock-up shares	Follow the regulations on executive share management
Du Lixin	187,500			187,500	Senior management lock-up shares	Follow the regulations on executive share management
Lyu Wenquan	150,000			150,000	Senior management lock-up shares	Follow the regulations on executive share management
Xu Feng	142,500			142,500	Senior management lock-up shares	Follow the regulations on executive share management
Other restricted shareholders	207,292			207,292	Senior management lock-up shares	Follow the regulations on executive share management
Total	2,660,892	123,800	0	2,537,092	--	--

II Issuance and Listing of Securities

☐ Applicable ☒ Not applicable

III Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the period-	47,402	Total number of preferred shareholders with resumed voting rights at the period-	0
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end				end (if any) (see Note 8)				
5% or greater shareholders or the top 10 shareholders (exclusive of shares lent in refinancing)								
Name of the shareholders	Nature of shareholder	Shareholding percentage (%)	Quantity of holding shares at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Shares in pledge, marked or frozen	
							Status	Number
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	17.17%	140,353,583	0	0	140,353,583	N/A	0
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	14.10%	115,232,400	0	0	115,232,400	N/A	0
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.43%	19,884,100	0	0	19,884,100	N/A	0
National Social Security Fund Portfolio 413	Others	1.82%	14,910,051	0	0	14,910,051	N/A	0
ICBC Credit Suisse Innovation Power Stock Type Securities Investment Fund	Others	1.33%	10,890,000	-1,110,000	0	10,890,000	N/A	0
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	Foreign legal person	0.74%	6,024,131	-310,580	0	6,024,131	N/A	0
Dacheng China Securities Asset Management Plan	Others	0.55%	4,493,500	0	0	4,493,500	N/A	0
Hao Jing	Domestic natural person	0.53%	4,335,000	0	0	4,335,000	N/A	0
Yinhua China Securities Asset Management	Others	0.52%	4,243,912	0	0	4,243,912	N/A	0

Plan								
GF China Securities Asset Management Plan	Others	0.50%	4,089,200	0	0	4,089,200	N/A	0
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)		N/A						
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		N/A						
Special account for share repurchases (if any) among the top 10 shareholders (see note 11)		N/A						
Shareholdings of the top ten non-restricted shareholders (exclusive of shares lent in refinancing and senior management lock-up shares)								
Name of the shareholders	Number of unrestricted shares held at the period-end					Type of shares		
						Type of shares	Number	
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583					RMB ordinary shares	140,353,583	
Tailun (Thailand) Textile Co., Ltd.	115,232,400					Domestically listed foreign shares	115,232,400	
Central Huijin Assets Management Co., Ltd.	19,884,100					RMB ordinary shares	19,884,100	
National Social Security Fund Portfolio 413	14,910,051					RMB ordinary shares	14,910,051	
ICBC Credit Suisse Innovation Power Stock Type Securities Investment Fund	10,890,000					RMB ordinary shares	10,890,000	
FEDERATED HERMES GLOBAL INVESTMENT FD (CAYMAN) MASTER, SPC OBOAFTAO FEDERATED HERMES EMG ASIA EQUITY FD MASTER S.P.	6,024,131					Domestically listed foreign shares	6,024,131	

Dacheng China Securities Asset Management Plan	4,493,500	RMB ordinary shares	4,493,500
Hao Jing	4,335,000	RMB ordinary shares	4,335,000
Yinhua China Securities Asset Management Plan	4,243,912	RMB ordinary shares	4,243,912
GF China Securities Asset Management Plan	4,089,200	RMB ordinary shares	4,089,200
Explanation on connected relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder 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.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	N/A		

5% or greater shareholders, top 10 shareholders and Top 10 unrestricted shareholders involved in refinancing shares lending

☐ Applicable ☒ Not applicable

Changes in top 10 shareholders and top 10 unrestricted shareholders due to refinancing shares lending/return compared with the prior period

☐ Applicable ☒ Not applicable

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

☐ Yes ☒ No

No such cases in the Reporting Period.

IV Change in Shareholdings of Directors, Supervisors and Senior Executives

☒ Applicable ☐ Not applicable

Name	Office title	Incumbent/former	Beginning shareholding (share)	Increase in the Current Period (share)	Decrease in the Current Period (share)	Ending shareholding (share)	Number of granted restricted shares at the period-begin (share)	Number of restricted shares granted in the Current Period (share)	Number of granted restricted shares at the period-end (share)
Liu Zibin	Chairman and President	Incumbent	148,290			148,290			
Xu	Vice Chairman	Incumbent							

Zhinan		bent							
Liu Deming	Director, Vice Controller of Global Marketing Department	Incumbent							
Xu Jianlyu	Director	Incumbent							
Zheng Huisheng	Director	Incumbent							
Zhang Zhanqi	Director, Vice President, Controller of Global Marketing Department, Dean of Lu Thai Engineering Technology Research Institute, General Manager of LuFeng Company Limited	Incumbent	580,300			580,300			
Zhang Keming	Director, Chief Accountant, Director of the Financial Management Department	Incumbent	377,700			377,700			
Du Lixin	Director and Chief Engineer	Incumbent	250,000			250,000			
Yu Mingtao	Independent Director	Incumbent							
Zhu Beina	Independent Director	Incumbent							
Quan Yuhua	Independent Director	Incumbent							
Wei Jian	Independent Director	Incumbent							
Zheng Weiyin	Board Secretary	Incumbent	40,000			40,000			
Shang Chenggang	President Assistant, Director of the garment product line	Incumbent	330,000			330,000			
Yu Shouzheng	President Assistant, Head of the Energy and Environmental	Incumbent	383,100			383,100			

	Protection Department of the Company, General Manager of Zibo Xinsheng Thermal Power Co., Ltd.								
Liu Zilong	Luthai (Hong Kong) Textile Co., Ltd.	Incumbent	10,000			10,000			
Dong Shibing	Chairman of the Labor Union, Manager of the Logistics Management Department, General Manager of Zibo Banyang Villa Hotel Co., Ltd.	Incumbent	5,000			5,000			
Guo Heng	Head of Functional Fabric Product Line	Incumbent	300,000			300,000			
Lyu Wenquan	Deputy Head of the Yarn-dyed Fabric Product Line, Manager of the Yarn-dyed Production Management Department	Incumbent	200,000			200,000			
Xu Feng	Deputy Head of the Yarn-dyed Fabric Product Line, Head of Overseas Operation and Management Centre	Incumbent	190,000			190,000			
Zhou Zhiji	Independent Director	Resignation							
Qu Dongmei	Independent Director	Resignation							
Peng Yanli	Independent Director	Resignation							
Total	--	--	2,814,390	0	0	2,814,390	0	0	0

V Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Change of the Actual Controller in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VI Particulars of Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VII 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. Issuance of Convertible Bonds

Pursuant to the approval document titled the *Approval of the Public Issue of Convertible Corporate Bonds of Lu Thai Textile Co., Ltd.*

(ZH.J.X.K. Document No. 299) issued by the CSRC, the Company publicly issued 14 million convertible corporate bonds on April 9, 2020, each with a par value of RMB100, with a total issuance amount of RMB1.4 billion.

2. Guarantors of Convertible Bonds and the Top 10 Holders in the Reporting Period

Name of convertible bonds		Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020			
Number of holders at the end of the Reporting Period		6,886			
Guarantor of the Company’s convertible bonds		N/A			
Significant changes in profitability, assets condition and credit status of guarantors		N/A			
Top 10 convertible bond holders are as follows:					
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	Others	699,222	69,922,200.00	5.00%

	Investment Fund				
2	China Merchants Bank Co., Ltd. – Bosera CSI Convertible Bonds and Exchangeable Bonds ETF	Others	617,492	61,749,200.00	4.41%
3	Zhuhai Liben Private Equity Fund Management Partnership (Limited Partnership) - Liben Growth Fund No. 2 Private Securities Investment Fund	Others	611,286	61,128,600.00	4.37%
4	Dajia Life Insurance Co., Ltd. - Traditional Product	Others	549,071	54,907,100.00	3.92%
5	Shanghai Pudong Development Bank Co., Ltd. - E Fund Yuxiang Return Bond Securities Investment Bond	Others	495,122	49,512,200.00	3.54%
6	Fuguo Fumin Fixed Income Pension Product - China Construction Bank Corporation	Others	420,069	42,006,900.00	3.00%
7	ICBC Credit Suisse Tianfeng Fixed Benefit Pension Product - Bank of China Limited	Others	402,940	40,294,000.00	2.88%
8	Guosen Securities Co., Ltd.	State-owned legal person	392,430	39,243,000.00	2.80%
9	China Merchants Bank Co., Ltd. - Dongfanghong Juli Bond Securities Investment Fund	Others	327,356	32,735,600.00	2.34%
10	Huatai Yousheng Convertible Bond Fixed Income Pension Product - China Merchants Bank Co., Ltd.	Others	313,590	31,359,000.00	2.24%

3. Changes in the Convertible Bond in the Reporting Period

☒ Applicable ☐ Not applicable

Unit: RMB

Name of convertible bonds	Before	Increase/decrease of the change			After
		Into shares	Redeemed	Resold	
Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020	1,399,844,700.00	3,500.00			1,399,841,200.00

4. Accumulative Conversion

☒ Applicable ☐ Not applicable

Name of convertible bonds	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
Public	From	14,000,000	1,400,000.00	158,800.00	17,557	0.00%	1,399,841.20	99.99%

Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020	October 15, 2020 to April 8, 2026		00.00				00.00	
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5. Previous Adjustments and Correction of Conversion Price

Name of convertible bonds	Adjustment date of conversion price	Adjusted conversion price (RMB)	Disclosure time	Notes on adjustment of conversion price	Latest price as at the end of the Reporting Period (RMB)
Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020	July 9, 2020	8.91	July 2, 2020	The Company implemented the 2019 Equity Distribution Plan on July 9, 2020.	8.49
	June 7, 2021	8.76	June 4, 2021	The Company implemented the initial grant of the 2021 restricted share incentive scheme, with the listing date set for June 7, 2021.	
	June 18, 2021	8.71	June 10, 2021	The Company implemented the 2020 Equity Distribution Plan on June 18, 2021.	
	March 22, 2022	8.68	March 18, 2022	The Company implemented the grant of reserved shares under the 2021 restricted stock incentive scheme, with the listing date set for March 22, 2022.	
	June 23, 2022	8.61	June 16, 2022	The Company implemented the 2021 Equity Distribution Plan on June 23, 2022.	
	May 26, 2023	8.73	May 26, 2023	The Company completed the formalities for cancellation of the 23,935,748 repurchased B shares on May 25, 2023.	
	June 16, 2023	8.63	June 9, 2023	The Company implemented the 2022 Equity Distribution Plan on June 16, 2023.	
	March 4, 2024	8.87	March 2, 2024	The Company completed the formalities for cancellation of the 46,176,428 repurchased B shares on March 1, 2024.	
	June 19, 2024	8.74	June 12, 2024	The Company implemented the 2023 Equity Distribution Plan on June 19, 2024.	
	November 8, 2024	8.64	November 1, 2024	The Company implemented the 2024 Interim Equity	

				Distribution Plan on November 8, 2024.	
	December 19, 2024	8.59	December 12, 2024	The Company implemented the 2024 Q3 Equity Distribution Plan on December 19, 2024.	
	June 20, 2025	8.49	June 13, 2025	The Company implemented the 2024 Equity Distribution Plan on June 20, 2025.	

6. 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 VII Bonds – “VI The Major Accounting Data and the Financial Indicators of the Recent 2 Years of the Company up the Period-end”.

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

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

☐ Applicable ☒ Not applicable

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

Unit: RMB'0,000

Item	June 30, 2025	December 31, 2024	Increase/Decrease
Current ratio	2.10	3.39	-38.05%
Asset-liability ratio	27.76%	29.49%	-1.73%
Quick ratio	1.43	2.25	-36.44%
	H1 2025	H1 2024	Change (%)
Net profit after deducting non-recurring profit or loss	22,561.53	26,373.13	-14.45%
Debt/EBITDA ratio	27.07%	17.30%	9.77%
Interest cover (times)	10.00	4.76	110.08%
Cash-to-interest cover (times)	6.78	9.47	-28.41%
EBITDA interest coverage ratio (times)	15.60	9.85	58.38%
Rate of redemption	100.00%	100.00%	
Interest coverage	100.00%	100.00%	

Part VIII Financial Statements

I Independent Auditor's Report

Are these interim financial statements audited by an independent auditor?

☐ Yes ☒ No

They are unaudited by such an auditor.

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

June 30, 2025

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary capitals	2,139,114,115.40	2,055,856,788.37
Held-for-trading financial assets	1,049,351,158.38	693,972,672.64
Derivative financial assets		
Notes receivable	39,030,160.44	51,339,990.35
Accounts receivable	747,239,605.77	849,168,539.27
Receivables financing	37,499,801.20	10,184,900.59
Prepayments	132,539,783.79	94,340,345.68
Other receivables	24,152,797.11	23,107,489.38
Including: Interest receivable		
Dividend receivable		
Inventories	2,034,200,313.46	2,019,884,406.30
Current portion of non-current assets	156,297,393.15	154,176,585.64
Other current assets	20,328,326.17	59,034,547.73
Total current assets	6,379,753,454.87	6,011,066,265.95
Non-current assets:		
Long-term equity investments	107,611,314.66	120,084,271.29
Investments in other equity instruments		
Other non-current financial assets	82,800,000.00	82,800,000.00
Investment property	18,224,212.48	18,675,533.63
Fixed assets	5,814,725,044.82	6,053,755,987.08
Construction in progress	134,284,190.34	95,026,709.37

Right-of-use assets	457,019,477.13	470,238,928.19
Intangible assets	327,890,760.99	333,384,747.50
Goodwill	20,563,803.29	20,563,803.29
Long-term deferred expenses	3,550,288.75	5,634,560.27
Deferred income tax assets	138,328,342.11	148,530,519.94
Other non-current assets	392,586,573.69	569,954,322.70
Total non-current assets	7,497,584,008.26	7,918,649,383.26
Total assets	13,877,337,463.13	13,929,715,649.21
Current liabilities:		
Short-term loans	769,528,289.22	849,686,824.33
Held-for-trading financial liabilities	836,220.67	15,858,713.22
Accounts payable	174,248,558.77	272,079,091.51
Advances from customers		
Contract liabilities	157,554,001.78	191,551,003.79
Payroll payable	235,283,537.70	301,227,361.89
Taxes payable	44,600,830.71	57,261,948.01
Other payables	95,144,804.38	17,437,799.60
Including: Interest payable		
Dividends payable	75,441,113.64	441,113.64
Current portion of non-current liabilities	1,539,699,402.29	27,788,571.75
Other current liabilities	25,008,287.11	42,829,460.18
Total current liabilities	3,041,903,932.63	1,775,720,774.28
Non-current liabilities:		
Long-term borrowings	408,154,596.91	396,244,110.21
Bonds payable		1,509,420,449.46
Lease liabilities	80,382,387.04	91,353,320.80
Long-term payables		
Long-term payroll payable	58,494,991.36	58,494,991.36
Provisions		
Deferred income	142,360,938.77	145,395,121.11
Deferred income tax liabilities	120,638,187.77	131,519,037.79
Other non-current liabilities		
Total non-current liabilities	810,031,101.85	2,332,427,030.73
Total liabilities	3,851,935,034.48	4,108,147,805.01
Owners' equity:		
Share capital	817,306,422.00	817,306,010.00
Other equity instruments	71,383,259.63	71,383,438.11
Including: Preferred shares		

Perpetual bonds		
Capital reserves	178,746,397.11	178,518,667.31
Less: Treasury stock		
Other comprehensive income	155,094,789.13	166,925,985.26
Specific reserve	4,210,110.35	
Surplus reserves	1,271,429,282.44	1,271,429,282.44
General reserve		
Retained earnings	7,211,650,131.88	6,933,165,006.16
Total equity attributable to owners of the Company as the parent	9,709,820,392.54	9,438,728,389.28
Equity of non-controlling interests	315,582,036.11	382,839,454.92
Total owners' equity	10,025,402,428.65	9,821,567,844.20
Total liabilities and owners' equity	13,877,337,463.13	13,929,715,649.21

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

2. Balance Sheet of the Parent Company

Unit: RMB

Item	Ending balance	Beginning balance
Current assets:		
Monetary capitals	1,353,726,696.69	1,098,738,844.86
Held-for-trading financial assets	467,547,982.90	348,853,051.29
Derivative financial assets	0.00	0.00
Notes receivable	26,216,718.14	34,955,445.32
Accounts receivable	382,599,376.57	381,343,801.66
Receivables financing	14,489,532.18	8,604,909.79
Prepayments	28,724,594.76	37,339,639.22
Other receivables	1,556,331,125.47	1,444,344,599.59
Including: Interest receivable		
Dividend receivable	225,000,000.00	
Inventories	884,750,161.11	833,923,667.33
Including: Data resources		
Current portion of non-current assets	156,297,393.15	154,176,585.64
Other current assets	1,640,361.86	1,285,523.29
Total current assets	4,872,323,942.83	4,343,566,067.99
Non-current assets:		
Long-term equity investments	3,873,729,258.91	3,886,201,497.79
Investments in other equity instruments		
Other non-current financial assets	70,800,000.00	70,800,000.00
Investment property	59,481,373.20	61,235,932.80

Fixed assets	1,756,666,692.45	1,829,970,463.91
Construction in progress	30,660,219.90	25,572,141.50
Right-of-use assets	85,331,620.88	94,200,828.47
Intangible assets	188,535,711.72	191,804,122.33
Long-term deferred expenses	36,284.53	253,990.93
Deferred income tax assets	78,218,616.25	83,559,877.27
Other non-current assets	352,206,076.93	502,059,650.58
Total non-current assets	6,495,665,854.77	6,745,658,505.58
Total assets	11,367,989,797.60	11,089,224,573.57
Current liabilities:		
Short-term loans		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	0.00	60,000,000.00
Accounts payable	172,299,986.65	202,868,261.19
Advances from customers		
Contract liabilities	49,995,098.60	62,755,259.28
Payroll payable	153,523,012.31	196,441,126.83
Taxes payable	25,774,923.78	38,807,426.46
Other payables	16,009,050.73	14,071,692.51
Including: Interest payable		
Dividends payable	441,113.64	441,113.64
Liabilities held for sale		
Current portion of non-current liabilities	1,537,652,137.14	26,337,442.97
Other current liabilities	20,314,072.96	31,411,042.17
Total current liabilities	1,975,568,282.17	632,692,251.41
Non-current liabilities:		
Long-term borrowings	408,154,596.91	396,244,110.21
Bonds payable		1,509,420,449.46
Including: Preferred shares		
Perpetual bonds		
Lease liabilities	79,739,796.30	88,480,054.92
Long-term payables		
Long-term payroll payable	58,494,991.36	58,494,991.36
Provisions		
Deferred income	108,286,441.16	110,138,851.32
Deferred income tax liabilities	86,813,230.24	98,766,520.96
Other non-current liabilities		

Total non-current liabilities	741,489,055.97	2,261,544,978.23
Total liabilities	2,717,057,338.14	2,894,237,229.64
Owners' equity:		
Share capital	817,306,422.00	817,306,010.00
Other equity instruments	71,383,259.63	71,383,438.11
Including: Preferred shares		
Perpetual bonds		
Capital reserves	246,282,690.66	246,054,960.86
Less: Treasury stock	0.00	0.00
Other comprehensive income	-33,510.92	-35,886.10
Specific reserve	33,042.22	0.00
Surplus reserves	1,268,320,542.80	1,268,320,542.80
Retained earnings	6,247,640,013.07	5,791,958,278.26
Total owners' equity	8,650,932,459.46	8,194,987,343.93
Total liabilities and owners' equity	11,367,989,797.60	11,089,224,573.57

3. Consolidated Income Statement

Unit: RMB

Item	H1 2025	H1 2024
1. Revenue	2,827,110,139.70	2,830,488,685.61
Including: Operating revenue	2,827,110,139.70	2,830,488,685.61
2. Costs and expenses	2,525,003,547.23	2,502,834,949.04
Including: Cost of sales	2,168,474,896.26	2,131,993,492.13
Taxes and surcharges	31,239,434.94	29,125,385.82
Selling expense	69,698,089.77	63,286,721.28
Administrative expense	162,947,077.39	158,805,160.69
R&D expense	100,446,619.98	115,374,597.19
Financial expenses	-7,802,571.11	4,249,591.93
Including: Interest expense	47,165,800.27	48,731,472.34
Interest income	34,380,042.79	24,797,577.48
Add: Other income	11,191,654.96	14,929,113.83
Return on investment ("-" for loss)	199,543,864.41	-3,289,446.38
Including: Share of profit or loss of joint ventures and associates	1,393,710.04	8,619,094.53
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)	-53,613,179.42	-112,539,827.27
Credit impairment loss ("-" for loss)	-6,567,343.20	587,454.42

Asset impairment loss (“-” for loss)	-33,600,593.45	-34,719,445.19
Asset disposal income (“-” for loss)	-459,023.14	-232,868.16
3. Operating profit (“-” for loss)	418,601,972.63	192,388,717.82
Add: Non-operating income	8,777,411.25	2,878,019.80
Less: Non-operating expense	2,915,155.95	2,366,685.20
4. Profit before tax (“-” for loss)	424,464,227.93	192,900,052.42
Less: Income tax expense	56,505,920.02	18,864,805.79
5. Net profit (“-” for net loss)	367,958,307.91	174,035,246.63
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	367,958,307.91	174,035,246.63
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to shareholders of the Company as the parent (“-” for net loss)	360,215,726.72	169,559,969.54
5.2.1 Net profit attributable to non-controlling interests (“-” for net loss)	7,742,581.19	4,475,277.09
6. Other comprehensive income, net of tax	-11,831,196.13	9,376,489.57
Attributable to owners of the Company as the parent	-11,831,196.13	9,376,489.57
6.1 Other comprehensive income 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 Other comprehensive income that will be reclassified to profit or loss	-11,831,196.13	9,376,489.57
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	-11,771,402.38	9,340,942.61
6.2.7 Other	-59,793.75	35,546.96
Other comprehensive income attributable to non-controlling interests		
7. Total comprehensive income	356,127,111.78	183,411,736.20
Attributable to owners of the parent company	348,384,530.59	178,936,459.11
Attributable to non-controlling interests	7,742,581.19	4,475,277.09

8. Earnings per share		
8.1 Basic earnings per share	0.44	0.21
8.2 Diluted earnings per share	0.40	0.19

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

Legal representative: Liu Zibin

Chief Accountant: Zhang Keming

Financial Manager: Zhang Keming

4. Income Statement of the Parent Company

Unit: RMB

Item	H1 2025	H1 2024
1. Operating revenue	1,380,651,274.50	1,468,386,291.35
Less: Cost of sales	1,047,508,741.72	1,111,556,899.05
Taxes and surcharges	19,174,516.84	18,109,295.49
Selling expense	39,895,772.35	41,139,342.57
Administrative expense	89,681,738.86	96,570,932.90
R&D expense	74,371,809.78	79,830,730.20
Financial expenses	5,147,001.10	-3,675,230.34
Including: Interest expense	27,250,219.49	27,601,294.75
Interest income	23,939,018.62	19,298,232.20
Add: Other income	5,875,520.30	11,824,461.76
Return on investment ("-" for loss)	527,782,025.32	14,834,483.02
Including: Share of profit or loss of joint ventures and joint ventures	1,393,710.04	8,619,094.53
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)	-81,239,371.48	-73,211,657.14
Credit impairment loss ("-" for loss)	829,519.78	2,881,097.53
Asset impairment loss ("-" for loss)	-988,284.62	-2,519,219.13
Asset disposal income ("-" for loss)	-230,391.26	1,256,454.63
2. Operating profit ("-" for loss)	556,900,711.89	79,919,942.15
Add: Non-operating income	5,108,491.01	2,179,686.89
Less: Non-operating expense	140,072.91	56,573.70
3. Profit before tax ("-" for loss)	561,869,129.99	82,043,055.34
Less: Income tax expense	24,456,794.18	5,350,341.11
4. Net profit ("-" for net loss)	537,412,335.81	76,692,714.23
4.1 Net profit from continuing operations ("-" for net loss)	537,412,335.81	76,692,714.23
4.2 Net profit from discontinued operations ("-" for net loss)		
5. Other comprehensive income, net of tax	2,375.18	11,090.23
6.1 Other comprehensive income 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 Other comprehensive income that will be reclassified to profit or loss	2,375.18	11,090.23
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		
6.2.7 Other	2,375.18	11,090.23
6. Total comprehensive income	537,414,710.99	76,703,804.46
7. Earnings per share		
8.1 Basic earnings per share	0.66	0.09
8.2 Diluted earnings per share	0.58	0.10

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2025	H1 2024
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,803,150,193.86	2,870,197,776.21
Tax rebates	36,500,294.08	34,473,335.94
Cash generated from other operating activities	25,319,329.63	15,241,585.40
Subtotal of cash generated from operating activities	2,864,969,817.57	2,919,912,697.55
Payments for commodities and services	1,542,792,623.46	1,495,937,361.55
Cash paid to and for employees	839,987,267.54	815,258,158.98
Taxes paid	115,718,037.97	84,393,030.40
Cash used in other operating activities	102,478,247.64	72,902,493.93
Subtotal of cash used in operating activities	2,600,976,176.61	2,468,491,044.86
Net cash flow from operating activities	263,993,640.96	451,421,652.69
2. Cash flows from investing activities:		
Proceeds from disinvestment	3,896,975,363.58	366,961,000.00

Return on investment	201,151,635.48	1,477,671.32
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	8,019,136.00	5,007,425.81
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	286,072,065.68	55,092,528.36
Subtotal of cash generated from investing activities	4,392,218,200.74	428,538,625.49
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	63,023,782.20	133,899,391.95
Payments for investments	4,273,214,000.00	466,000,000.00
Cash used in other investing activities	52,675,673.76	187,380,600.00
Subtotal of cash used in investing activities	4,388,913,455.96	787,279,991.95
Net cash generated from/used in investing activities	3,304,744.78	-358,741,366.46
3. Cash flows from financing activities:		
Capital contributions received		
Including: Cash received by subsidiaries from capital contributions of minority shareholders		
Borrowings raised	795,615,516.62	1,312,631,494.80
Cash generated from other financing activities		
Subtotal of cash generated from financing activities	795,615,516.62	1,312,631,494.80
Cash paid for debt repayment	858,948,490.13	919,859,118.54
Cash paid for distribution of dividend, profit or payment of interest	123,410,101.61	149,684,828.86
Including: Dividends paid by subsidiaries to non-controlling interests		
Cash used in other financing activities	9,250,108.12	47,144,251.24
Subtotal of cash used in financing activities	991,608,699.86	1,116,688,198.64
Net cash generated from/used in financing activities	-195,993,183.24	195,943,296.16
4. Effect of foreign exchange rates changes on cash and cash equivalents	27,327,178.49	8,936,611.65
5. Net increase in cash and cash equivalents	98,632,380.99	297,560,194.04
Add: Opening balance of cash and cash equivalents	1,371,412,259.52	1,353,615,305.93
6. Closing balance of cash and cash equivalents	1,470,044,640.51	1,651,175,499.97

6. Cash Flow Statement of the Parent Company

Unit: RMB

Item	H1 2025	H1 2024
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	1,290,886,102.43	1,488,240,200.81
Tax rebates	6,773,725.66	6,378,709.40
Cash generated from other operating activities	22,231,794.27	19,682,005.66
Subtotal of cash generated from operating activities	1,319,891,622.36	1,514,300,915.87
Payments for commodities and services	878,878,825.92	832,282,435.46

Cash paid to and for employees	395,452,125.89	404,265,209.55
Taxes paid	66,045,293.01	42,371,401.25
Cash used in other operating activities	57,536,555.13	41,833,676.11
Subtotal of cash used in operating activities	1,397,912,799.95	1,320,752,722.37
Net cash flow from operating activities	-78,021,177.59	193,548,193.50
2. Cash flows from investing activities:		
Proceeds from disinvestment	2,082,614,651.22	320,961,000.00
Return on investment	299,534,627.43	5,054,535.92
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	19,406,643.41	798,733.70
Net proceeds from the disposal of subsidiaries and other business units	0.00	0.00
Cash generated from other investing activities	1,163,480,433.41	1,388,052,365.00
Subtotal of cash generated from investing activities	3,565,036,355.47	1,714,866,634.62
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	15,352,948.15	14,125,317.07
Payments for investments	2,259,738,000.00	420,000,000.00
Net payments for the acquisition of subsidiaries and other business units	0.00	0.00
Cash used in other investing activities	913,402,246.98	1,316,340,560.00
Subtotal of cash used in investing activities	3,188,493,195.13	1,750,465,877.07
Net cash generated from/used in investing activities	376,543,160.34	-35,599,242.45
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings raised	20,000,000.00	763,875,061.70
Cash generated from other financing activities		92,001,000.00
Subtotal of cash generated from financing activities	20,000,000.00	855,876,061.70
Cash paid for debt repayment	8,463,198.74	387,245,597.90
Cash paid for distribution of dividend, profit or payment of interest	111,038,442.44	137,445,683.64
Cash used in other financing activities	9,220,803.28	229,318,998.82
Subtotal of cash used in financing activities	128,722,444.46	754,010,280.36
Net cash generated from/used in financing activities	-108,722,444.46	101,865,781.34
4. Effect of foreign exchange rates changes on cash and cash equivalents	5,369,627.73	1,982,612.10
5. Net increase in cash and cash equivalents	195,169,166.02	261,797,344.49
Add: Opening balance of cash and cash equivalents	507,628,886.80	765,705,926.26
6. Closing balance of cash and cash equivalents	702,798,052.82	1,027,503,270.75

7. Consolidated Statements of Changes in Owners' Equity

H1 2025

Unit: RMB

Item	H1 2025														
	Equity attributable to owners of the Company as the parent company													Equity of 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	Others	Subtotal		
		Preferred shares	Perpetual bonds	Others											
1. Ending balances of the prior year	817,306,010.00			71,383,438.11	178,518,667.31		166,925,985.26		1,271,429,282.44		6,933,165,006.16		9,438,728,389.28	382,839,454.92	9,821,567,844.20
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Others															
2. Beginning balances of the year	817,306,010.00			71,383,438.11	178,518,667.31		166,925,985.26		1,271,429,282.44		6,933,165,006.16		9,438,728,389.28	382,839,454.92	9,821,567,844.20
3. Increase/decrease in the period ("-" for decrease)	412.00			-178.48	227,729.80		-11,831,196.13	4,210,110.35			278,485,125.72		271,092,003.26	-67,257,418.81	203,834,584.45
3.1 Total comprehensive income							-11,831,196.13				360,215,726.72		348,384,530.59	7,742,581.19	356,127,111.78
3.2 Capital increased and reduced by owners	412.00			-178.48	227,729.80								227,963.32		227,963.32
3.2.1 Ordinary shares increased by shareholders	412.00				3,374.76								3,786.76		3,786.76
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in					224,307.75								224,307.75		224,307.75

owners' equity															
3.2.4 Other				-178.48	47.29								-131.19		-131.19
3.3 Profit distribution											-	-	-	-	-
											81,730,60	81,730,60	75,000,00	156,730,6	
											1.00	1.00	0.00	01.00	
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-	-	-	-	-
											81,730,60	81,730,60	75,000,00	156,730,6	
											1.00	1.00	0.00	01.00	
3.2.4 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								4,210,110.				4,210,110.		4,210,110.	
								35				35		35	
3.5.1 Increase in the period								7,971,427.				7,971,427.		7,971,427.	

								33					33		33
3.5.2 Used in the period								3,761,316.98					3,761,316.98		3,761,316.98
3.6 Other															
4. Ending balances of the period	817,306,422.00			71,383,259.63	178,746,397.11		155,094,789.13	4,210,110.35	1,271,429,282.44		7,211,650,131.88		9,709,820,392.54	315,582,036.11	10,025,402,428.65

H1 2024

Unit: RMB

Item	H1 2024														
	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	Others	Subtotal		
		Preferr ed shares	Perpetu al bonds	Others											
1. Balances as at the end of the prior year	863,607,634.00			71,383,677.78	334,792,614.76	193,438,720.78	131,343,141.63		1,260,661,015.34		6,762,457,543.07		9,230,806,905.80	386,661,091.90	9,617,467,997.70
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Others															
2. Balances as at the beginning of the year	863,607,634.00			71,383,677.78	334,792,614.76	193,438,720.78	131,343,141.63		1,260,661,015.34		6,762,457,543.07		9,230,806,905.80	386,661,091.90	9,617,467,997.70
3. Increase/decrease in the period (“-” for decrease)	-46,242,738.00			-86.69	-150,391,321.46	-193,252,660.78	9,376,489.57	2,567,760.32			63,310,203.06		71,872,967.58	4,475,277.09	76,348,244.67
3.1 Total comprehensive income							9,376,489.57				169,559,969.54		178,936,459.11	4,475,277.09	183,411,736.20

3.2 Capital increased and reduced by owners	- 46,242,738.00			-86.69	- 150,391,321.46	- 193,252,660.78							- 3,381,485.37	- 3,381,485.37
3.2.1 Ordinary shares increased by shareholders	- 46,242,738.00				- 153,711,878.22								- 199,954,616.22	- 199,954,616.22
3.2.2 Capital increased by holders of other equity instruments														
3.2.3 Share-based payments included in owners' equity					3,320,515.96								3,320,515.96	3,320,515.96
3.2.4 Other				-86.69	40.80	- 193,252,660.78							193,252,614.89	193,252,614.89
3.3 Profit distribution											- 106,249,766.48		- 106,249,766.48	- 106,249,766.48
3.3.1 Appropriation to surplus reserves														
3.3.2 Appropriation to general reserve														
3.3.3 Appropriation to owners (or shareholders)											- 106,249,766.48		- 106,249,766.48	- 106,249,766.48
3.2.4 Other														
3.4 Transfers within owners' equity														
3.4.1 Increase in capital (or share capital) from capital reserves														
3.4.2 Increase in capital (or share capital) from surplus reserves														
3.4.3 Loss offset by surplus reserves														

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve								2,567,760.32					2,567,760.32		2,567,760.32
3.5.1 Increase in the period								4,090,000.00					4,090,000.00		4,090,000.00
3.5.2 Used in the period								1,522,239.68					1,522,239.68		1,522,239.68
3.6 Other															
4. Balances as at the end of the period	817,364,896.00			71,383,591.09	184,401,293.30	186,060.00	140,719,631.20	2,567,760.32	1,260,661,015.34		6,825,767,746.13		9,302,679,873.38	391,136,368.99	9,693,816,242.37

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

H1 2025

Unit: RMB

Item	H1 2025											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
1. Ending balances of the prior year	817,306,010.00			71,383,438.11	246,054,960.86		-35,886.10		1,268,320,542.80	5,791,958,278.26		8,194,987,343.93
Add: Adjustments												

for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Beginning balances of the year	817,306,010.00			71,383,438.11	246,054,960.86		-35,886.10		1,268,320,542.80	5,791,958,278.26		8,194,987,343.93
3. Increase/decrease in the period (“-” for decrease)	412.00			-178.48	227,729.80		2,375.18	33,042.22		455,681,734.81		455,945,115.53
3.1 Total comprehensive income							2,375.18			537,412,335.81		537,414,710.99
3.2 Capital increased and reduced by owners	412.00			-178.48	227,729.80							227,963.32
3.2.1 Ordinary shares increased by shareholders	412.00				3,374.76							3,786.76
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity					224,307.75							224,307.75
3.2.4 Other				-178.48	47.29							-131.19
3.3 Profit distribution										- 81,730,601.00		- 81,730,601.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										- 81,730,601.00		- 81,730,601.00
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								33,042.22				33,042.22
3.5.1 Increase in the period								1,525,200.00				1,525,200.00
3.5.2 Used in the period								1,492,157.78				1,492,157.78
3.6 Other												
4. Ending balances of the period	817,306,422.00			71,383,259.63	246,282,690.66		-33,510.92	33,042.22	1,268,320,542.80	6,247,640,013.07		8,650,932,459.46

H1 2024

Unit: RMB

Item	H1 2024											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Others	Total owners' equity
		Preferred shares	Perpetual bonds	Others								

1. Ending balances of the prior year	863,607,634.00			71,383,677.78	396,172,649.00	193,438,720.78	-41,439.79		1,257,552,275.70	5,923,889,542.37		8,319,125,618.28
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Others												
2. Beginning balances of the year	863,607,634.00			71,383,677.78	396,172,649.00	193,438,720.78	-41,439.79		1,257,552,275.70	5,923,889,542.37		8,319,125,618.28
3. Increase/decrease in the period ("-" for decrease)	-46,242,738.00			-86.69	-150,391,321.46	-193,252,660.78	11,090.23			-29,557,052.25		-32,927,447.39
3.1 Total comprehensive income							11,090.23			76,692,714.23		76,703,804.46
3.2 Capital increased and reduced by owners	-46,242,738.00			-86.69	-150,391,321.46	-193,252,660.78						-3,381,485.37
3.2.1 Ordinary shares increased by shareholders	-46,242,738.00				-153,711,878.22							-199,954,616.22
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity					3,320,515.96							3,320,515.96
3.2.4 Other				-86.69	40.80	193,252,660.78						193,252,614.89
3.3 Profit distribution										-106,249,766.48		-106,249,766.48
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to										-106,249,766.48		-106,249,766.48

owners (or shareholders)										66.48		6.48
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. Ending balances of the period	817,364,896.00			71,383,591.09	245,781,327.54	186,060.00	-30,349.56		1,257,552,275.70	5,894,332,490.12		8,286,198,170.89

III Company Profile

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

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

After several capital increases and repurchases, as at June 30, 2025, the Company’s registered capital was RMB817,306,400. Specifically, there were 591,180,400 A-shares and 226,126,000 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 3rd Meeting of the 11th Board of Directors held on August 27, 2025.

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 June 30, 2025, business results and cash flows for H1 2025, and other relevant information.

2. Fiscal Year

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

3. Operating Cycle

The Company regards 12 months as an operating cycle.

4. Recording Currency

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

5. Methods for Determining Materiality Standards and Selection Criteria

☒ Applicable ☐ Not applicable

Item	Materiality standards
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 revenue, or profit before tax (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 reserves shall be adjusted, and if the capital reserve is insufficient to

offset, the retained earnings shall be adjusted.

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

The assets and liabilities of the combined party acquired by the combining party in the combination, shall be measured at the carrying value of the combined party in the consolidated financial statement of the final controller on the combination date; the difference between the sum of the carrying value of investment held before combination plus the carrying value newly paid on the combination date, and the carrying value of the net assets acquired in combination, is used for adjusting the capital reserve (capital stock premium), and if the capital reserves (share capital premium) is insufficient to offset, the retained earnings shall be adjusted. The long-term equity investments held by the combining party before acquiring the control right of the combined party, if relevant gains and losses, other comprehensive income and changes in other owners' 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 carrying 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 assets 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 administrative 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) Methods for Preparing 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 equity of non-controlling 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 the equity of non-controlling interests shall presented as the item of the equity of non-controlling 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 equity of non-controlling 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 “retained earnings” 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 financial liability when it becomes a party to the financial instrument contract.

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: a) The contractual rights for collecting the cash flow of the said financial asset are terminated; b) The said financial asset has been transferred and meet the following derecognition conditions for transfer of financial assets.

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the

existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

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

(2) Classification and Measurement of Financial Assets

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

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

Financial assets measured at amortized cost

The Company classifies financial assets that meet the following conditions and are not designated to be measured at fair value through profit or loss as financial assets measured at amortized cost:

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial liabilities measured at amortized cost

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

Distinction between financial liabilities and equity instruments

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

- a) The contractual obligation to deliver cash or other financial assets to other parties.
- b) The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- c) Non-derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, and the enterprise will deliver a variable number of its own equity instruments according to the contract.
- d) Derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, except derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments. Equity instruments refer to contracts that can prove that an enterprise has the residual equity in its assets after deducting all liabilities.

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

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

If a financial instrument must be or can be settled with the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument are used as substitutes for cash or other financial assets or to

enable the holder of this instrument to enjoy the residual equity in the assets after deducting all liabilities from the issuer. If it is the former, this instrument is the Company's financial liability; if the latter is the case, this instrument is the Company's equity instrument.

(4) Derivative Financial Instruments and Embedded Derivatives

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

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

(5) Fair Value of Financial Instruments

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

(6) Impairment of Financial Assets

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

Financial assets measured at amortized cost;

Receivables and investment in debt instruments 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 losses

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

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

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

the loss reserve according to the expected credit loss during the whole duration of this instrument; if the financial instrument has suffered credit impairment since its initial recognition, it is in the third stage. The Company measures the loss reserve according to the expected credit loss during the whole duration of this instrument.

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

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

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

The Company calculates interest income based on the carrying amount 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 carrying amount 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 receivables 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 receivable

Other receivables portfolio 3: Security deposit and margin receivable

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 value 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 value 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 carrying amount of the financial asset will be written off directly. Such write-downs may constitute the derecognition for related financial assets. This situation occurs frequently when the Company determines that the debtor does not have any assets or any source of income to generate sufficient cash flow to repay the amount that will be written off. However, in accordance with the procedures for recovering due payments of the Company, the written-off financial assets may still be affected by the execution activities.

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

(7) Transfer of Financial Assets

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

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

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

(8) Offsetting Financial Assets and Financial Liabilities

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

12. Measurement of Fair Value

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

The Company measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities is conducted in the main market of related assets or liabilities; if there is no main market, the Company assumes that the transaction is conducted in the most beneficial market. The main market (or the most favorable market) is the

trading market that the Company can enter on the measurement date. The Company uses the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities with active markets, the Company uses the quotation in active markets to determine its fair value. If there is no active market for financial instruments, the Company uses valuation techniques to determine its fair value. When measuring non-financial assets at fair value, the ability of market participants to best use the asset for generating economic benefits, or the ability to sell the asset to other market participants that can best use the asset to generate economic benefits shall be considered.

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

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

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

13. Inventory

(1) Classification of Inventory

The Company inventories mainly include raw materials, work-in-progress, inventory goods, products processed on entrustment and etc.

(2) Valuation Method for Issued Inventories

The Company values inventories at actual cost upon acquisition. Grey yarn, dyed yarn, and fabric 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 the Net Realizable Value of Inventory and the Provision for Inventory Impairment

On the balance sheet date, inventory is 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 date 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) Inventory System

The Company's perpetual inventory system is maintained for stock system.

(5) Amortization Method for Low-value Consumables and Packaging Materials

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

14. Long-term Equity Investments

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

(1) Determination of Initial Investment Cost

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

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

(2) Subsequent Measurement and Profit or Loss Recognition Method

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

For long-term equity investments that are accounted for using the cost method, in addition to the cash dividends or profits that have been declared but not yet included in the actual payment or consideration included in the investment, the cash dividends or profits declared by the invested entity are recognized as 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 carrying 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 carrying 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 carrying 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 carrying 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 carrying 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 carrying 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 carrying value of the long-term equity investment corresponding to the decrease in the proportion of the shareholding that should be carried forward are included in the current profit and loss; That is, adjustments are made using the equity method of accounting.

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

(3) Basis for Determining Joint Control and Significant Influence over the Invested Entity

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

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested unit, but cannot control or jointly control the formulation of these policies with other parties. When determining whether significant influence can be exerted on the investee, consideration is given to the voting rights held directly or indirectly by the investor in the investee, as well as the impact of currently exercisable potential voting rights held by the investor and other parties after assuming their conversion into equity in the investee, including the effects of currently convertible warrants, share 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 Testing Method and Provision for Impairment

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

15. Investment Property

Measurement model of investment property

Cost method measurement

Depreciation or amortization method

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

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

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

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

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

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

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

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

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

(2) Depreciation Methods

Category	Depreciation method	Useful life	Salvage value (%)	Annual deprecation (%)
Housing and building	Average method of useful life	5-30	0-10	20.00-3.00
Machinery equipment	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 equipment 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 carrying value and related taxes is included in the current profit and loss.

17. Construction in Progress

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

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

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

18. Engineering Materials

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

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

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

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

19. Borrowing Costs**(1) Confirmation Principle of Capitalized Borrowing Costs**

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

- a) Asset expenditures have been incurred. Asset expenditures include those incurred for the acquisition, construction, or production of assets that meet the capitalization criteria, through cash payments, transfer of non-cash assets, or the incurrence of interest-bearing debts.
- b) Borrowing costs have been incurred;
- c) The acquisition, construction, or production activities necessary to bring the asset to the condition for intended use or sale have begun.

(2) Capitalization Period for Borrowing Costs

When the Company acquires, constructs or produces assets, which meet capitalization conditions and reach the intended usable or

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

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

(3) Capitalization Rate of Borrowing Costs and Calculation Method of Capitalized Amount

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

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

20. Intangible Assets

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

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

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

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

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

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

The method of provision for impairment assets 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 charges and long-term deferred expenses, design expenses, equipment commissioning expenses, amortization expenses of intangible assets, commissioned external research and development expenses, and other expenses, etc.

The wages of R&D personnel are allocated to R&D 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: a) It is feasible technically to finish intangible assets for use or sale; b) It is intended to finish and use or sell the intangible assets; c) 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; d) 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; e) 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 development expenditure on the balance sheet, and it will be transferred to intangible assets from the date when the project reaches the intended purpose.

22. Long-term Asset Impairment

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

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

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

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

Regarding the impairment test of goodwill, the carrying value of goodwill formed by business combination 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 combination, and is the one smaller than the reportable segment determined by the Company.

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

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

23. Long-term Deferred Expenses

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

24. Payroll

(1) Payroll Scope

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, termination benefits, 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 Salary

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, work-related 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 defined benefit plan.

Defined contribution plan

The defined 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 defined contribution plan is recognized as a liability and included in the current profit and loss or related asset costs.

(4) Accounting Treatment of the Termination Benefits

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 termination benefits 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 carrying value of the provisions on the balance sheet date and adjusts the carrying value to reflect the current best estimate.

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

26. Revenue

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

(1) General Principle

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

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

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

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

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

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

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

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 contract liability.

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 asset" 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

Not applicable.

27. 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:

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

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

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

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

28. Government Grants

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

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

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 grants businesses of the Company.

Government grants related to daily activities shall be included in other incomes according to the essence of business transactions. Government grants irrelevant to daily activities are included in non-operating 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 amount of the assets shall be adjusted; the book balance of relevant deferred income shall be offset if there is a balance of relevant deferred income, and the excess part shall be included in the current profit and loss. Otherwise, it shall be directly included in the current profit and loss.

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

29. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

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

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 goodwill or the initial recognition of assets or liabilities arising from transactions with the following characteristics: The transaction is not a business combination, and does not affect the accounting profit or income tax payable when it occurs (Excluding transactions that initially recognized 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 income tax payable 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 combination, and does not affect the accounting profit nor income tax payable when it occurs (Excluding transactions that initially recognized 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 income tax payable used to deduct the deductible temporary differences is likely to be obtained in the future.

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

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

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.

30. Lease

(1) Identification of Lease

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

(2) The Company as the Lessee

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

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

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

Short-term lease

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

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

Low-value asset lease

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

The Company includes the lease payment of the low-value asset lease in the cost of relevant assets or the current profit and loss in

each period of the lease term by the method of line.

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

Lease change

If a lease changes and meets the following conditions simultaneously, the lease change shall be regarded as a separate lease for accounting treatment: a) The lease change expands its lease 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 carrying 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 carrying value of the right-of-use assets, if other lease changes result in the recalculation of the lease liability.

(3) The Company 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.

Finance 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 Standards for Business Enterprises No.22—Recognition and Measurement of Financial Instruments* and the *Accounting Standards for Business Enterprises No.23—Transfer of Financial Assets*.

Operating lease

The Company shall recognize the current profit and loss of the rent of the operating lease in each period of the lease term by the method of line. The initial direct 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 carrying value of lease assets; and b) If the change comes into force on the commencement date of the lease term, the lease will be clarified as a finance lease, the Company will carry out accounting treatment in accordance with the provisions on modification or renegotiation of a contract of the *Accounting Standard for Business Enterprises No. 22—Recognition and Measurement of Financial Instruments*.

31. Right-of-Use Assets

(1) Recognition Conditions for Right-of-Use Assets

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

At the start date of the lease term, the Company initially measures the right-of-use assets at cost. The cost includes: the initial measurement amount of lease liabilities; the lease payments paid on or prior to the inception of the lease (less the related amount of lease incentives already enjoyed if any); the initial direct 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 method of line for depreciation. Where it can be reasonably certain that the Company, the lessee, can obtain ownership of the leased assets at the expiry of the lease term, the leased assets are depreciated over the residual service life. Where it cannot be reasonably certain that the Company can obtain ownership of the leased assets at the end of the lease term, the leased assets are depreciated at the shorter of the lease term and the residual service life of the leased assets.

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

32. Safety Production Costs and Costs for Sustaining Simple Reproduction

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. The aforesaid fixed assets will not be depreciated as accrued in the future period.

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

34. Material Accounting Judgments and Estimates

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

Classification of financial assets

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

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

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

Measurement of expected credit losses of accounts receivable

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

Goodwill impairment

The Company assesses at least annually whether goodwill has been impaired. This requires estimating the use value of the asset

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

Deferred income tax assets

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

Determination of fair value of unlisted equity investment

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

35. Changes in Significant Accounting Policies and Estimates

(1) Significant Changes in Accounting Policies

☐ Applicable ☒ Not applicable

(2) Significant Changes in Accounting Estimates

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable value-added amount (the taxable amount is calculated by multiplying the taxable sales by the applicable tax rate and deducting the input tax allowed to be deducted in the Current Period)	13%, 9%, 6%, 5%, 3%, 0
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 Company	15%
Lulian New Materials	15%

Lu Thai Hong Kong	16.50%
Luqun Textile	25%
Xinsheng Thermal Power	25%
Shanghai Luthai	20%
Lujia Import & Export	20%
Zhishu Consulting	20%
Lu Thai Vocational Training School	0%
Banyang Villa	20%
Huilin International	15%
Tianyi Apparel	0%
VACL	11%

2. Tax Preference

In accordance with the *Notice for Announcing the First Batch of Hi-tech Enterprise Identification List of Shandong Province in 2023* (L.K.Z. [2024] No. 4), the Company was identified as a hi-tech enterprise, and the certificate issuing date was November 29, 2023; the majority-owned subsidiary LuFeng Company Limited was identified as a hi-tech enterprise, and the certificate issuing date was November 29, 2023. In accordance with the *Notice for Announcing Hi-tech Enterprise List of Shandong Province in 2022*, the wholly-owned subsidiary Lulian New Materials was identified as a hi-tech enterprise, and the certificate issuing date was December 12, 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, Zhishu Consulting, Banyang Villa, and Lujia IMP. & EXP. have been recognized as small, low-profit enterprises. According to the *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 income tax payable of small, low-profit enterprises shall be calculated at a reduced rate of 25%, and enterprise income tax shall be levied at a 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 (HK) Textile Co., Ltd. (hereinafter refers as Lu Thai (HK) Textile), the wholly-owned subsidiary of the Company, was incorporated in Hong Kong SAR, whose profit tax shall be paid at tax rate of 16.5%.

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

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

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

VII Notes to Main Items of Consolidated Financial Statements

1. Monetary Capitals

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	7,356,389.93	4,283,695.11
Bank deposits	2,131,393,967.95	2,051,573,093.26
Other monetary capital	363,757.52	
Total	2,139,114,115.40	2,055,856,788.37
Of which: Total amount deposited overseas	336,686,299.79	293,656,210.45

Other notes:

As at June 30, 2025, the restricted monetary capital amounted to RMB0.

The interest receivable in bank deposits was RMB22,235,716.93.

2. Held-for-trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	1,049,351,158.38	693,972,672.64
Of which:		
Investment in debt instruments	620,681,575.78	230,874,092.14
Equity instrument investment	428,669,582.60	462,622,130.31
Derivative financial assets		476,450.19
Total	1,049,351,158.38	693,972,672.64

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
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Bank acceptance bills	38,127,660.44	50,959,990.35
Trade acceptance notes	902,500.00	380,000.00
Total	39,030,160.44	51,339,990.35

(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	Percentage (%)	Amount	Withdrawal proportion		Amount	Percentage (%)	Amount	Withdrawal proportion	
Of which:										
Notes receivable of bad debt provision withdrawn by groups	39,077,660.44	100.00%	47,500.00	0.12%	39,030,160.44	51,359,990.35	100.00%	20,000.00	0.04%	51,339,990.35
Of which:										
Commercial acceptance bills	950,000.00	2.43%	47,500.00	5.00%	902,500.00	400,000.00	0.78%	20,000.00	5.00%	380,000.00
Bank acceptance bills with low credit ratings	38,127,660.44	97.57%			38,127,660.44	50,959,990.35	99.22%			50,959,990.35
Total	39,077,660.44	100.00%	47,500.00		39,030,160.44	51,359,990.35	100.00%	20,000.00		51,339,990.35

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

☐ Applicable ☒ Not applicable**(3) 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	Write-offs	Others	
Commercial acceptance bills	20,000.00	27,500.00				47,500.00
Total	20,000.00	27,500.00				47,500.00

Of which significant amount of recovered or transferred-back bad debt provision for the Current Period:

☐ Applicable ☒ Not applicable

(4) Notes Receivable Which Had Endorsed by the Company or Had Discounted and Had Not Due on the Balance Sheet Date at the Period-End

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bills		19,797,413.77
Total		19,797,413.77

4. Accounts Receivable

(1) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including one year)	762,865,482.86	904,143,884.57
One to two years	47,999,626.32	2,598,409.10
Two to three years	1,368,472.86	767,071.40
More than three years	346,166.33	435,318.77
Three to four years	296,191.00	206,818.00
Four to five years	0.00	195,961.82
Over five years	49,975.33	32,538.95
Total	812,579,748.37	907,944,683.84

(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	Percentage (%)	Amount	Withdrawal proportion		Amount	Percentage (%)	Amount	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	1,444,082.86	0.18%	1,444,082.86	100.00%		1,380,525.86	0.15%	1,380,525.86	100.00%	
Of which:										
Accounts receivable withdrawal of bad debt provision	811,135,665.51	99.82%	63,896,059.74	7.88%	747,239,605.77	906,564,157.98	99.85%	57,395,618.71	6.33%	849,168,539.27

of by group										
Of which:										
Undue accounts (L/C)	146,088,285.97	17.98%		0.00%	146,088,285.97	164,066,967.38	18.07%			164,066,967.38
Undue accounts (credit insurance insured)	123,164,487.50	15.16%	1,293,227.16	1.05%	121,871,260.34	108,041,036.63	11.90%	1,134,430.94	1.05%	106,906,605.69
Undue accounts (no credit insurance)	366,379,482.27	45.09%	18,318,974.24	5.00%	348,060,508.03	489,845,177.53	53.95%	24,492,258.89	5.00%	465,352,918.64
Overdue accounts (credit insurance insured)	40,365,252.87	4.97%	6,337,344.71	15.70%	34,027,908.16	42,135,584.31	4.64%	6,615,286.73	15.70%	35,520,297.58
Overdue accounts (no credit insurance)	135,138,156.90	16.63%	37,946,513.63	28.08%	97,191,643.27	102,475,392.13	11.29%	25,153,642.15	24.55%	77,321,749.98
Total	812,579,748.37	100.00%	65,340,142.60	8.04%	747,239,605.77	907,944,683.84	100.00%	58,776,144.57	6.47%	849,168,539.27

The category name of bad debt provision separately accrued: June 2025

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	1,380,525.86	1,380,525.86	1,444,082.86	1,444,082.86	100.00%	Customer in financial difficulty
Total	1,380,525.86	1,380,525.86	1,444,082.86	1,444,082.86		

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

☐ Applicable ☒ Not applicable

(3) 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	Write-offs	Others	
Bad debt provision	58,776,144.57	6,459,634.43	-107,738.00	3,374.40		65,340,142.60
Total	58,776,144.57	6,459,634.43	-107,738.00	3,374.40		65,340,142.60

(4) Accounts Receivable Written-off in Current Period

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	3,374.40

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
Zichuan District Heating Guarantee Service Center	61,079,346.65		61,079,346.65	7.52%	19,309,353.27
Customer A	50,298,449.85		50,298,449.85	6.19%	2,035.79
Customer B	34,567,040.67		34,567,040.67	4.25%	2,819,874.07
Customer C	28,376,503.53		28,376,503.53	3.49%	1,521,247.14
Customer D	27,336,391.07		27,336,391.07	3.36%	1,393,884.30
Total	201,657,731.77		201,657,731.77	24.81%	25,046,394.57

5. Receivables Financing**(1) Receivables Financing Listed by Category**

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	37,620,151.81	10,234,905.61
Less: Other comprehensive income-fair value change	-120,350.61	-50,005.02
Total	37,499,801.20	10,184,900.59

(2) Notes Receivable Which Had Endorsed by the Company or Had Discounted and Had Not Due on the Balance Sheet Date at the Period-End

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bills	108,816,177.25	
Total	108,816,177.25	

6. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	24,152,797.11	23,107,489.38
Total	24,152,797.11	23,107,489.38

(1) Other Receivables

1) Other receivables classified by nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export rebates	1,204,498.40	4,399,746.28
VAT to be returned	7,825,440.63	7,514,820.14
Payment on behalf	10,863,870.65	8,666,645.96
Guarantee deposit and cash deposit	2,203,023.23	2,181,386.82
Borrowings and petty cash	1,859,136.44	1,255,511.54
Others	6,498,909.30	5,311,251.41
Total	30,454,878.65	29,329,362.15

2) Disclosure by aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including one year)	18,638,028.05	18,125,208.20
One to two years	1,956,342.58	1,153,509.15
Two to three years	6,254,105.57	6,434,852.90
More than three years	3,606,402.45	3,615,791.90
Three to four years	54,000.00	166,000.00
Four to five years	112,000.00	846.87
Over five years	3,440,402.45	3,448,945.03
Total	30,454,878.65	29,329,362.15

3) Disclosure by withdrawal methods for bad debts

☒ Applicable ☐ Not applicable

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Percentage (%)	Amount	Withdrawal proportion		Amount	Percentage (%)	Amount	Withdrawal proportion	
Of which:										
Withdrawal of	30,454,878.65	100.00%	6,302,081.54	20.69%	24,152,797.11	29,329,362.15	100.00%	6,221,872.77	21.21%	23,107,489.38

bad debt provision by group										
Of which:										
Bad debt provision in Stage 1	19,740,928.41	64.82%	987,046.41	5.00%	18,753,882.00	18,670,016.05	63.66%	933,500.80	5.00%	17,736,515.25
Bad debt provision in Stage 2	10,550,938.19	34.64%	5,152,023.08	48.83%	5,398,915.11	10,496,334.05	35.79%	5,125,359.92	48.83%	5,370,974.13
Bad debt provision in Stage 3	163,012.05	0.54%	163,012.05	100.00%		163,012.05	0.56%	163,012.05	100.00%	
Total	30,454,878.65	100.00%	6,302,081.54	20.69%	24,152,797.11	29,329,362.15	100.00%	6,221,872.77	21.21%	23,107,489.38

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 of the next 12 months	Expected credit loss in the duration (credit impairment not occurred)	Expected credit loss in the duration (credit impairment occurred)	
Balance of January 1, 2025	933,500.80	5,125,359.92	163,012.05	6,221,872.77
Balance of January 1, 2025 in the Current Period				
Withdrawal of the Current Period	53,545.61	26,663.16		80,208.77
Balance of June 30, 2025	987,046.41	5,152,023.08	163,012.05	6,302,081.54

Basis of classification of stages and percentage of provision for bad debts

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/Verification	Others	
Expected credit loss of the next 12 months at the first stage	933,500.80	53,545.61				987,046.41
Expected credit loss in the duration (credit impairment not occurred) at the second stage	5,125,359.92	26,663.16				5,152,023.08

Expected credit loss in the duration (credit impairment occurred) at the third stage	163,012.05	0.00				163,012.05
Total	6,221,872.77	80,208.77	0.00	0.00	0.00	6,302,081.54

5) Top 5 of the ending balance of the other receivables 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
General department of taxation	Rebate of VAT	7,825,440.63	Within one year; one to two years; two to three years; Over three years	25.70%	3,327,232.52
Withholding and remitting of personal endowment insurance	Payment on behalf	5,065,073.81	Within one year	16.63%	253,253.69
Withholding and remitting of personal medical insurance	Payment on behalf	1,269,957.42	Within one year	4.17%	63,497.87
Zichuan District Tax Bureau	Export rebates	1,204,498.40	Within one year	3.96%	60,224.92
Withholding and remitting of personal housing provident fund	Payment on behalf	1,147,576.25	Within one year	3.77%	57,378.81
Total		16,512,546.51		54.23%	3,761,587.81

7. Prepayments

(1) Prepayments Listed by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	132,356,488.10	99.86%	94,018,468.42	99.66%
One to two years	81,487.69	0.06%	321,877.26	0.34%
Two to three years	101,808.00	0.08%		
Total	132,539,783.79		94,340,345.68	

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

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

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

The prepayments to suppliers from the top five of prepaid parties classified based on the ending balance totals RMB84,781,081.87 in the Current Period, accounting for 63.97% of the total ending balance of the prepayments to suppliers.

8. Inventory

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

Not

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves or provision for impairment on contract performance cost	Carrying value	Carrying amount	Falling price reserves or provision for impairment on contract performance cost	Carrying value
Raw materials	861,633,868.63	59,031,398.97	802,602,469.66	806,501,875.49	55,650,999.99	750,850,875.50
Goods in process	437,205,502.40	9,493,261.67	427,712,240.73	520,394,109.82	6,229,881.12	514,164,228.70
Inventory goods	952,360,327.28	183,571,540.67	768,788,786.61	952,987,895.46	208,856,231.77	744,131,663.69
Commissioned products	13,584,476.92		13,584,476.92	10,737,638.41		10,737,638.41
Materials in transit	21,512,339.54		21,512,339.54			
Total	2,286,296,514.77	252,096,201.31	2,034,200,313.46	2,290,621,519.18	270,737,112.88	2,019,884,406.30

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

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period		Decreased amount for the Current Period		Ending balance
		Withdrawal	Others	Recovered or charged-off	Others	
Raw materials	55,650,999.99	3,402,176.21			21,777.23	59,031,398.97
Work-in-progress	6,229,881.12	3,274,030.56			10,650.01	9,493,261.67
Inventory goods	208,856,231.77	22,415,168.51		47,348,067.92	351,791.69	183,571,540.67
Total	270,737,112.88	29,091,375.28	0.00	47,348,067.92	384,218.93	252,096,201.31

9. Current Portion of Non-current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Debt investment due within one year	150,000,000.00	150,000,000.00
Interest payable of bond investment	6,297,393.15	4,176,585.64
Total	156,297,393.15	154,176,585.64

(1) Investments in Debt Obligations Due within One Year

☒ Applicable ☐ Not applicable

1) Significant debt investments maturing within one year at the end of the period

Unit: RMB

Item	Par value	Coupon rate	Due date	Actual interest rate		Overdue principal	
				Ending balance	Beginning balance	Ending balance	Beginning balance
Return voucher	150,000,000.00	3.00%	December 22, 2025				
Total	150,000,000.00						

(2) Other Investments in Debt Obligations Due within One Year

☐ Applicable ☒ Not applicable

10. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Other tax	6,705,193.86	8,592,405.88
Prepaid income tax	2,407,586.80	37,101.68
Prepaid other taxes	163,707.23	205,457.78
Convertible broken lot fund	199,660.30	199,662.42
Deposit for recognizance	3,852,177.98	49,999,919.97
Receivables from liquidation	7,000,000.00	
Total	20,328,326.17	59,034,547.73

11. Long-term Equity Investments

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of provision for impairment	Increase/decrease for the Current Period								Ending balance (carrying value)	Ending balance of provision for impairment
			Additi onal invest ment	Reduc ed invest ment	Gains and losses recogn ized under the	Adjust ment of other compr ehensi ve	Chang es of other equity	Cash bonus or profits announ ced to issue	Withdr awal of impair ment provisi on	Others		

					equity metho d	incom e						
I. Joint ventures												
II. Associated enterprises												
Ningbo Meishan Bonded Port Area Haohong Equity Investment Partnership (L.P.) (herein after referred to as "Haohong Investment")	31,325,690.58			13,866,666.67	1,411,124.70						18,870,148.61	
Ningbo Haoyi Equity Investment Partnership (L.P) (herein after referred to as "Haoyi Equity Investment")	88,758,580.71				-17,414.66						88,741,166.05	
Subtotal	120,084,271.29			13,866,666.67	1,393,710.04						107,611,314.66	
Total	120,084,271.29			13,866,666.67	1,393,710.04						107,611,314.66	

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

12. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Equity instrument investment	70,800,000.00	70,800,000.00
Financial assets assigned measured by fair value through profit or loss	12,000,000.00	12,000,000.00
Total	82,800,000.00	82,800,000.00

13. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Houses and buildings	Land use rights	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	33,708,658.12			33,708,658.12
2. Increased amount for the Current Period				
(1) Outsourcing				
(2) Transfer from inventory/fixed assets/construction in progress				
(3) 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	15,033,124.49			15,033,124.49
2. Increased amount for the Current Period	451,321.15			451,321.15
(1) Withdrawal or amortization	451,321.15			451,321.15
3. Decreased amount for the Current Period				
(1) Disposal				
(2) Other transfer				

4. Ending balance	15,484,445.64			15,484,445.64
III. Impairment provisions				
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	18,224,212.48			18,224,212.48
2. Beginning carrying value	18,675,533.63			18,675,533.63

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

(2) Investment Property Adopting the Fair Value Measurement Mode

☐ Applicable ☒ Not applicable

14. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	5,814,725,044.82	6,053,755,987.08
Total	5,814,725,044.82	6,053,755,987.08

(1) List of Fixed Assets

Unit: RMB

Item	Housing and building	Machinery equipment	Transportation vehicle	Electronic equipment and others	Total
I. Original carrying value:					
1. Beginning balance	4,153,405,489.18	7,999,497,701.26	57,627,023.34	146,359,617.54	12,356,889,831.32
2. Increased amount for the Current Period	4,080,478.24	24,371,882.83	1,646,309.14	1,380,548.69	31,479,218.90
(1) Purchase		24,371,882.83	1,646,309.14	1,380,548.69	27,398,740.66

(2) Transfer from construction in progress	4,080,478.24				4,080,478.24
(3) Business combination increase					
3. Decreased amount for the Current Period	8,202,476.87	71,941,811.89	386,677.89	164,728.10	80,695,694.75
(1) Disposal or scrap	2,013,535.92	66,387,431.91	12,362.74	134,194.04	68,547,524.61
(2) Transfer from construction in progress	4,246,715.11				4,246,715.11
(3) Other decrease	1,942,225.84	5,554,379.98	374,315.15	30,534.06	7,901,455.03
4. Ending balance	4,149,283,490.55	7,951,927,772.20	58,886,654.59	147,575,438.13	12,307,673,355.47
II. Accumulative depreciation					
1. Beginning balance	1,451,849,601.15	4,617,189,627.38	43,584,449.86	121,401,888.54	6,234,025,566.93
2. Increased amount for the Current Period	67,974,901.40	169,445,964.70	1,703,497.50	3,496,951.59	242,621,315.19
(1) Withdrawal	67,974,901.40	169,445,964.70	1,703,497.50	3,496,951.59	242,621,315.19
3. Decreased amount for the Current Period	1,698,159.75	52,094,740.26	25,910.26	202,355.23	54,021,165.50
(1) Disposal or scrap	42,038.86	51,275,696.46	1,996.59	88,402.16	51,408,134.07
(2) Transfer from construction in progress	1,101,865.17				1,101,865.17
(3) Other decrease	554,255.72	819,043.80	23,913.67	113,953.07	1,511,166.26
4. Ending balance	1,518,126,342.80	4,734,540,851.82	45,262,037.10	124,696,484.90	6,422,625,716.62
III. Impairment provisions					
1. Beginning balance	25,815,444.48	43,157,303.24	5,671.30	129,858.29	69,108,277.31
2. Increased amount for the Current Period		4,509,218.16			4,509,218.16
(1) Withdrawal		4,509,218.16			4,509,218.16
3. Decreased amount for the Current Period		3,294,401.44		500.00	3,294,901.44

(1) Disposal or scrap		3,294,401.44		500.00	3,294,901.44
4. Ending balance	25,815,444.48	44,372,119.96	5,671.30	129,358.29	70,322,594.03
IV. Carrying value					
1. Ending carrying value	2,605,341,703.27	3,173,014,800.42	13,618,946.19	22,749,594.94	5,814,725,044.82
2. Beginning carrying value	2,675,740,443.55	3,339,150,770.64	14,036,902.18	24,827,870.71	6,053,755,987.08

(2) Fixed Assets Leased out by Operation Lease

Unit: RMB

Item	Ending carrying value
Houses	4,373,314.83

(3) Fixed Assets Failed to Accomplish Certification of Property

Unit: RMB

Item	Carrying value	Reason
LuFeng weaving dye grey yarn warehouse	11,106,179.64	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments
Lu Thai Textile Warehouse 01, 02	5,857,460.42	The same as above
Lulian New Materials Yarn Warehouse	7,421,417.57	The same as above
Overseas production base factory	1,019,013,437.45	To be submitted to the relevant department for processing upon completion

(4) Impairment Test of Fixed Assets
☐ Applicable ☒ Not applicable
15. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	111,498,885.45	77,047,650.62
Engineering materials	22,785,304.89	17,979,058.75
Total	134,284,190.34	95,026,709.37

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Provision for impairment	Carrying value	Carrying amount	Provision for impairment	Carrying value

		t losses			nt losses	
Production line project of high-grade fabrics (Phase I)	29,531,376.95		29,531,376.95	23,298,916.44		23,298,916.44
Reform project of Xinsheng Thermal Power	2,861,483.18		2,861,483.18	1,824,455.78		1,824,455.78
Thermoelectric cogeneration project	8,899,559.62		8,899,559.62			
Other sporadic projects	70,206,465.70		70,206,465.70	51,924,278.40		51,924,278.40
Total	111,498,885.45		111,498,885.45	77,047,650.62		77,047,650.62

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

Unit: RMB

Project name	Budget	Beginning balance	Increased amount of the Current Period	Amount of transfer into fixed assets in the Current Period	Other decreased amount for the Current Period	Ending balance	Proportion of accumulated investment in constructions to budget	Project progress	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization in the Current Period	Capitalization rate of interests for the Current Period	Source of fund
Production line project of high-grade fabrics (Phase I)	464,800,000.00	23,298,916.44	6,442,347.65		209,887.14	29,531,376.95	109.48 %	99.00 %	11,598,184.16			Fund raising and self-financing
Reform project of Xinsheng Thermal Power	4,600,000.00	1,824,455.78	1,348,336.92		311,309.52	2,861,483.18	62.21 %	62.21 %				Others
Thermoelectric cogeneration project	250,000,000.00		8,899,559.62			8,899,559.62	3.56 %	3.56 %				Others
Other		51,924	22,487	4,080	125,24	70,206						Others

sporadic projects		,278.40	,909.24	478.24	3.70	,465.70						
Total	719,400,000.	77,047,650.62	39,178,153.43	4,080,478.24	646,440.36	111,498,885.45			11,598,184.16			

(3) Impairment Test of Construction in Progress

☐ Applicable ☒ Not applicable

(4) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Provision for impairment losses	Carrying value	Carrying amount	Provision for impairment losses	Carrying value
Equipment to be installed	22,785,304.89		22,785,304.89	17,979,058.75		17,979,058.75
Total	22,785,304.89		22,785,304.89	17,979,058.75		17,979,058.75

16. Right-of-use Assets

(1) List of Right-of-use Assets

Unit: RMB

Item	Houses and buildings	Land use rights	Total
I. Original carrying value			
1. Beginning balance	77,622,142.84	466,180,291.02	543,802,433.86
2. Increased amount for the Current Period	3,351,405.97	0.00	3,351,405.97
(1) Rent	3,351,405.97	0.00	3,351,405.97
3. Decreased amount for the Current Period	1,661,284.21	2,016,005.11	3,677,289.32
(1) Maturity		47,085.76	47,085.76
(2) Other decrease	1,661,284.21	1,968,919.35	3,630,203.56
4. Ending balance	79,312,264.60	464,164,285.91	543,476,550.51
II. Accumulative depreciation			
1. Beginning balance	25,569,781.22	47,993,724.45	73,563,505.67
2. Increased amount for the Current Period	5,492,240.52	7,890,303.06	13,382,543.58
(1) Withdrawal	5,492,240.52	7,890,303.06	13,382,543.58
3. Decreased amount for the Current Period	310,814.39	178,161.48	488,975.87

(1) Disposal			
(2) Maturity		47,085.76	47,085.76
(3) Other decrease	310,814.39	131,075.72	441,890.11
4. Ending balance	30,751,207.35	55,705,866.03	86,457,073.38
III. Impairment provisions			
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	48,561,057.25	408,458,419.88	457,019,477.13
2. Beginning carrying value	52,052,361.62	418,186,566.57	470,238,928.19

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

☐ Applicable ☒ Not applicable

17. Intangible Assets**(1) List of Intangible Assets**

Unit: RMB

Item	Land use rights	Patent right	Non-patent technologies	Software use rights	Trademark right	Total
I. Original carrying value						
1. Beginning balance	470,338,494.00	409,550.00		2,264,253.12	283,018.87	473,295,315.99
2. Increased amount for the Current Period						
(1) Purchase						
(2) Internal R&D						
(3) Business combination increase						
3. Decreased amount for the Current Period				221,897.09		221,897.09
(1) Disposal				221,238.94		221,238.94
(2) Other decrease				658.15		658.15

4. Ending balance	470,338,494.00	409,550.00		2,042,356.03	283,018.87	473,073,418.90
II. Accumulated amortization						
1. Beginning balance	138,514,719.12	153,581.40		1,235,686.14	6,581.83	139,910,568.49
2. Increased amount for the Current Period	5,048,199.62	20,477.52		385,527.73	39,490.98	5,493,695.85
(1) Withdrawal	5,048,199.62	20,477.52		385,527.73	39,490.98	5,493,695.85
3. Decreased amount for the Current Period				221,606.43		221,606.43
(1) Disposal				221,238.94		221,238.94
(2) Other decrease				367.49		367.49
4. Ending balance	143,562,918.74	174,058.92		1,399,607.44	46,072.81	145,182,657.91
III. Impairment provisions						
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	326,775,575.26	235,491.08		642,748.59	236,946.06	327,890,760.99
2. Beginning carrying value	331,823,774.88	255,968.60		1,028,566.98	276,437.04	333,384,747.50

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

(2) Impairment Test of Intangible Assets

☐ Applicable ☒ Not applicable

18. Goodwill

(1) Original Carrying Value of Goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Beginning balance	Increased amount of the Current Period		Decreased amount for the Current Period		Ending balance
		Formed by business combination		Disposal		
Xinsheng Thermal Power	20,563,803.29					20,563,803.29
Total	20,563,803.29					20,563,803.29

19. Long-term Deferred Expenses

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Amortization amount of the Current Period	Other decreased amount	Ending balance
Decoration fee	5,558,870.87		2,100,425.27		3,458,445.60
Technical service charges	8,844.20	110,211.79	27,212.84		91,843.15
Other prepaid expense	66,845.20		66,845.20		
Total	5,634,560.27	110,211.79	2,194,483.31		3,550,288.75

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	255,180,473.52	40,882,231.42	252,197,942.77	41,534,310.54
Internal unrealized profit	92,861,284.23	10,317,796.55	105,336,586.06	13,724,860.21
Deductible losses	46,878,524.12	7,031,778.62	46,878,524.12	7,031,778.62
Payroll payable	73,682,968.78	11,052,700.68	73,682,968.78	11,052,700.68
Deferred income	142,118,383.17	21,945,520.20	145,143,951.32	22,467,375.60
Contract liabilities	72,853,803.20	18,213,450.80	78,698,329.68	19,615,211.56
The changes of receivables financing in fair value	120,350.60	18,052.59	50,005.02	7,500.75
Lease liabilities	90,620,990.83	13,576,799.37	99,332,484.45	14,899,872.67
Convertible bonds	72,707,821.07	10,906,173.16	72,707,821.06	10,906,173.16
Associated enterprises	29,225,591.47	4,383,838.72	30,636,716.16	4,595,507.42
Fund losses			17,968,191.53	2,695,228.73

Total	876,250,190.99	138,328,342.11	922,633,520.95	148,530,519.94
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(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	616,696,613.10	96,995,768.89	606,505,309.17	95,362,712.06
Changes in fair value of held-for-trading financial assets	43,855,675.00	6,578,351.25	122,951,766.13	18,442,764.92
Changes in the fair value of other non-current financial assets	13,517,400.00	2,027,610.00	13,517,400.00	2,027,610.00
Associated enterprises	12,983,349.53	1,947,502.43	13,000,764.22	1,950,114.63
Right-of-use assets	82,701,721.35	12,405,258.20	91,572,241.18	13,735,836.18
Fund profit	4,557,979.97	683,697.00		
Total	774,312,738.95	120,638,187.77	847,547,480.70	131,519,037.79

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

Unit: RMB

Item	Ending off-set amount of deferred income tax assets and liabilities	Ending balance of deferred income tax assets and liabilities	Beginning off-set amount of deferred income tax assets and liabilities	Beginning balance of deferred income tax assets and liabilities
Deferred income tax assets		138,328,342.11		148,530,519.94
Deferred income tax liabilities		120,638,187.77		131,519,037.79

(4) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary differences	45,730,872.48	42,605,021.03
Deductible losses	268,375,550.32	315,591,935.20
Total	314,106,422.80	358,196,956.23

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

Unit: RMB

Year	Ending amount	Beginning amount	Note
Y2025		299.83	
Y2026		71,029,659.21	
Y2027	96,904,257.37	96,904,257.37	
Y2028	87,257,787.10	87,257,787.10	
Y2029	60,399,931.69	60,399,931.69	

Y2030	23,813,574.16		
Total	268,375,550.32	315,591,935.20	

21. Other Non-current Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Provision for impairment losses	Carrying value	Carrying amount	Provision for impairment losses	Carrying value
Prepayment for equipment	7,293,481.70		7,293,481.70	797,518.51		797,518.51
Prepayment for land transfer fee	25,326,606.16		25,326,606.16	25,432,036.39		25,432,036.39
Term deposits over 1 year	349,050,116.88		349,050,116.88	525,000,000.00		525,000,000.00
Interest receivable from term deposits over 1 year	10,916,368.95		10,916,368.95	18,724,767.80		18,724,767.80
Total	392,586,573.69		392,586,573.69	569,954,322.70		569,954,322.70

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
Notes receivable	19,797,413.77	19,797,413.77	Endorsed or discounted but not yet due for derecognition		34,463,775.21	34,463,775.21	Endorsed or discounted but not yet due for derecognition	
Other current assets	3,852,177.98	3,852,177.98	Deposit for recognition		49,999,919.97	49,999,919.97	Deposit for recognition	
Total	23,649,591.75	23,649,591.75			84,463,695.18	84,463,695.18		

23. Short-term Loans

(1) Category of Short-term Loans

Unit: RMB

Item	Ending balance	Beginning balance
Borrowings secured by guarantee	120,393,839.05	91,941,851.96
Credit loan	649,134,450.17	757,744,972.37
Total	769,528,289.22	849,686,824.33

Notes of the category for short-term loans:

The short-term loans include interest payable of RMB617,114.63.

24. Held-for-trading Financial Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Held-for-trading financial liabilities	836,220.67	15,858,713.22
Of which:		
Derivative financial liabilities	836,220.67	15,858,713.22
Of which:		
Total	836,220.67	15,858,713.22

25. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	125,963,803.08	174,951,225.51
Engineering equipment	29,049,898.41	58,703,628.27
Others	19,234,857.28	38,424,237.73
Total	174,248,558.77	272,079,091.51

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

Other notes

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

26. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable	75,441,113.64	441,113.64
Other payables	19,703,690.74	16,996,685.96
Total	95,144,804.38	17,437,799.60

(1) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable to individual shareholders	441,113.64	441,113.64
Dividends payable to non-controlling interests	75,000,000.00	
Total	75,441,113.64	441,113.64

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

Item	Ending balance	Beginning balance	Reason
Dividends payable to individual shareholders	441,113.64	441,113.64	Cash dividend of previous year not received by individual shareholders
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.	6,265,774.01	5,412,393.10
Collecting payment on behalf of others	5,303,655.52	2,071,915.32
Others	8,134,261.21	9,512,377.54
Total	19,703,690.74	16,996,685.96

27. Contract Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Advance from sales	162,764,875.12	200,833,613.26
Less: Contract liability recorded in other current liabilities	-5,210,873.34	-9,282,609.47
Total	157,554,001.78	191,551,003.79

28. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance
I. Short-term salary	301,211,370.26	696,616,377.81	762,664,625.72	235,163,122.35
II. Post-employment benefit-defined contribution plans	15,991.63	86,546,234.62	86,441,810.90	120,415.35
III. Termination benefits		420,365.94	420,365.94	0.00
Total	301,227,361.89	783,582,978.37	849,526,802.56	235,283,537.70

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance
1. Salary, bonus, allowance,	224,822,772.16	621,501,364.71	691,619,168.27	154,704,968.60

subsidy				
2. Employee welfare	2.80	19,626,999.41	19,441,145.68	185,856.53
3. Social insurance	33,294.34	38,537,429.38	38,510,632.30	60,091.42
Of which: Medical insurance premiums	31,414.91	35,527,503.04	35,513,050.21	45,867.74
Work-related injury insurance premiums	1,104.08	3,005,437.95	2,993,039.13	13,502.90
Maternity insurance	775.35	4,488.39	4,542.96	720.78
4. Housing fund		6,937,215.90	6,937,215.90	0.00
5. Labor-union expenditure and employee education budget	76,355,300.96	10,013,368.41	6,156,463.57	80,212,205.80
Total	301,211,370.26	696,616,377.81	762,664,625.72	235,163,122.35

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance
1. Basic pension insurance	15,507.04	82,316,794.71	82,217,851.44	114,450.31
2. Unemployment insurance premiums	484.59	4,229,439.91	4,223,959.46	5,965.04
Total	15,991.63	86,546,234.62	86,441,810.90	120,415.35

Other notes:

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

29. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	1,551,256.26	13,958,538.83
Enterprise income tax	31,721,166.99	27,102,242.22
Personal income tax	507,660.95	1,581,994.81
Urban maintenance and construction tax	1,082,297.61	3,433,797.45
Stamp duty	541,625.07	826,522.82
Real estate tax	5,493,756.47	5,239,688.51
Land use tax	2,561,319.97	2,097,384.98
Educational fee	513,763.69	1,551,805.29
Local educational surcharge	342,509.13	1,039,303.54
Tax on natural resources	116,670.60	160,264.60
Environmental protection tax	168,803.97	270,404.96

Total	44,600,830.71	57,261,948.01
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30. Current Portion of Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings matured within one year	12,426,401.72	12,676,401.72
Current portion of bonds payable	1,511,268,255.48	
Lease liabilities matured within one year	16,004,745.09	15,112,170.03
Total	1,539,699,402.29	27,788,571.75

31. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Tax to be charged off	5,210,873.34	9,282,609.47
Endorsed undue bill under non-derecognition	19,797,413.77	33,546,850.71
Total	25,008,287.11	42,829,460.18

32. Long-term Borrowings

(1) Category of Long-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Credit loan	420,580,998.63	408,920,511.93
Less: Current portion of long-term borrowings	-12,426,401.72	-12,676,401.72
Total	408,154,596.91	396,244,110.21

Note to the category of long-term borrowings:

Item	Ending balance	Interest rate range (%)	Beginning balance	Interest rate range (%)
Credit loan	420,580,998.63	1.95%-2.34%	408,920,511.93	2.05-2.80

33. Bonds Payable

(1) Bonds Payable

Unit: RMB

Item	Ending balance	Beginning balance
Convertible bonds	1,511,268,255.48	1,509,420,449.46
Less: Bonds payable due within one year	-1,511,268,255.48	
Total		1,509,420,449.46

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

Unit: RMB

Name	Par value	Coupon rate	Issue date	Bond duration	Issue amount	Beginning balance	Issued in the Reporting Period	Interest accrued at par value	Amortization of premium and depreciation	Repaid in the Current Period	Shares converted in the Current Period	Ending balance	Default or not
LuThai Convertible Bond (127016)	1,400,000.00		April 9, 2020	6	1,400,000.00	1,509,420.49.46		41,782,418.48	-14,733,905.50	25,197,206.96	3,500.00	1,511,268.25.48	Not
Less: Bonds payable due within one year												-1,511,268.25.48	Not
Total					1,400,000.00	1,509,420.49.46		41,782,418.48	-14,733,905.50	25,197,206.96	3,500.00	0.00	

(3) Notes to the Convertible Corporate Bonds

According to the *Approval of the Public Issue of Convertible Corporate Bonds of Lu Thai Textile Co., Ltd.* (ZH.J.X.K [2020] No. 299) of the China Securities Regulatory Commission, the Company issued 14 million convertible bonds with a par value of RMB100 each for a total issue amount of RMB1.4 billion with a maturity of 6 years, i.e. from April 9, 2020 to April 8, 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 October 15, 2020, six months after the date of issue, and shall end on (and include) the trading day prior to the maturity date of the convertible bonds (April 8, 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 Distribution of Profit 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 Distribution of Profit 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 Distribution of Profit by the Company on June 23, 2022, it was adjusted to RMB8.61 per share accordingly again since June 23, 2022. The Company completed the formalities for cancellation of the repurchased shares on May 25, 2023, and the conversion price of the convertible bond was adjusted accordingly to RMB8.73 per share on May 26, 2023. Upon the implementation of the 2021 Distribution of Profit by the Company on June 16, 2023, the conversion price of the convertible bond was adjusted to RMB8.63 per share accordingly on June 16, 2023. The Company completed the formalities for cancellation of the repurchased shares on March 1,

2024, and the conversion price of the convertible bond was adjusted accordingly to RMB8.87 per share on March 4, 2024. Upon the implementation of the 2023 Profit Distribution Plan by the Company on June 19, 2024, the conversion price of the convertible bond was adjusted to RMB8.74 per share accordingly on June 19, 2024. Upon the implementation of the 2024 Interim Profit Distribution Plan by the Company on November 8, 2024, the conversion price of the convertible bond was adjusted to RMB8.64 per share accordingly on November 8, 2024. Upon the implementation of the 2024 Q3 Profit Distribution Plan by the Company on December 19, 2024, the conversion price of the convertible bond was adjusted to RMB8.59 per share accordingly on December 19, 2024. Upon the implementation of the 2024 Profit Distribution Plan by the Company on June 20, 2025, the conversion price of the convertible bond was adjusted to RMB8.49 per share accordingly on June 20, 2025.

34. Lease Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Lease payments	120,093,248.49	133,128,147.33
Unrecognized financing costs	-23,706,116.36	-26,662,656.50
Less: Current portion of lease liabilities	-16,004,745.09	-15,112,170.03
Total	80,382,387.04	91,353,320.80

Other notes

The amount of interest expense on lease liabilities accrued in H1 2025 was RMB2249361.75, which was included in financial expenses - interest expense.

35. Long-term Payroll Payable

(1) List of Long-term Payroll Payable

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	58,494,991.36	58,494,991.36
Total	58,494,991.36	58,494,991.36

36. Deferred Income

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance	Source
Government grants	145,395,121.11	640,000.00	3,674,182.34	142,360,938.77	Government grants
Total	145,395,121.11	640,000.00	3,674,182.34	142,360,938.77	

37. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease in the Reporting Period (+/-)					Ending balance
		New issues	Shares as dividend converted	Shares as dividend converted	Others	Subtotal	

			d from profit	from capital reserves			
Total shares	817,306,010.00				412.00	412.00	817,306,422.00

Other notes

During the Current Period, the Company converted 412 shares of convertible bonds into equity.

38. Other Equity Instruments

(1) Changes of Outstanding Financial Instruments Such as Preferred Shares and Perpetual Bonds at the Period-End

Unit: RMB

Outstanding financial instruments	Period-beginning		Increased amount of the Current Period		Decreased amount for the Current Period		Period-end	
	Number	Carrying value	Numbe r	Carrying value	Num ber	Carrying value	Num ber	Carrying value
Convertible debt to equity		71,383,438.11				178.48		71,383,259.63
Total		71,383,438.11				178.48		71,383,259.63

39. Capital Reserves

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance
Capital premium (premium on stock)	125,363,080.00	3,374.76		125,366,454.76
Other capital reserves	53,155,587.31	224,355.04		53,379,942.35
Total	178,518,667.31	227,729.80		178,746,397.11

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

(1) Recovery of RMB224,307.75 in restricted stock proceeds from employees who left under the equity incentive plan.

(2) Fractional dividend of RMB47.29 for the 2024 B-share equity dividend distribution.

(3) Convertible bonds converted into equity during the Current Period increased capital reserve - share capital premium by RMB3,374.76.

40. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Amount for the Current Period						Ending balance
		Amount before deducting income tax for the	Less: Recorded in other comprehen sive	Less: Recorded in other comprehen sive	Less: Income tax expense	Attributabl e to the parent company after tax	Attributabl e minority shareholder s after tax	

		Current Period	income in prior period and transferred in profit or loss in the Current Period	income in prior period and transferred in retained earnings in the Current Period				
II. Other comprehensive income that may subsequently be reclassified to profit or loss	166,925,985.26	- 11,841,747.97			-10,551.84	- 11,831,196.13	0.00	155,094,789.13
Differences arising from the translation of foreign currency-denominated financial statements	166,966,834.99	- 11,771,402.38				- 11,771,402.38		155,195,432.61
The changes of accounts receivable financing in fair value	-40,849.73	-70,345.59			-10,551.84	-59,793.75		- 100,643.48
Total of other comprehensive income	166,925,985.26	- 11,841,747.97			-10,551.84	- 11,831,196.13		155,094,789.13

41. Specific Reserve

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period	Decreased amount for the Current Period	Ending balance
Safety production costs		7,971,427.33	3,761,316.98	4,210,110.35
Total		7,971,427.33	3,761,316.98	4,210,110.35

42. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increased amount of	Decreased amount for	Ending balance
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		the Current Period	the Current Period	
Other capital reserves	1,268,087,709.86			1,268,087,709.86
Statutory surplus reserves	3,341,572.58			3,341,572.58
Total	1,271,429,282.44			1,271,429,282.44

43. Retained Earnings

Unit: RMB

Item	Reporting period	Same period of last year
Beginning balance of retained earnings before adjustments	6,933,165,006.16	6,762,457,543.07
Beginning balance of retained earnings after adjustments	6,933,165,006.16	6,762,457,543.07
Add: Net profit attributable to owners of the parent company	360,215,726.72	169,559,969.54
Dividends of common shares payable	81,730,601.00	106,249,766.48
Ending retained earnings	7,211,650,131.88	6,825,767,746.13

List of adjustment of beginning retained earnings:

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

44. Operating Revenue and Cost of Sales

Unit: RMB

Item	Amount for the Current Period		H1 2024	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	2,761,593,924.22	2,114,102,945.55	2,763,053,072.61	2,078,775,369.49
Other operations	65,516,215.48	54,371,950.71	67,435,613.00	53,218,122.64
Total	2,827,110,139.70	2,168,474,896.26	2,830,488,685.61	2,131,993,492.13

Information about performance obligations: None.

Information in relation to the transaction price apportioned to the residual contract performance obligation:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0.00 at the period-end, among which RMB0.00 was expected to be recognized in XXX, RMB0.00 was expected to be recognized in XXX, and RMB0.00 was expected to be recognized in XXX.

45. Taxes and Surcharges

Unit: RMB

Item	Amount for the Current Period	H1 2024
Urban maintenance and construction tax	7,709,315.81	6,289,033.04

Educational fee	3,352,777.94	2,739,134.65
Tax on natural resources	225,561.60	501,124.97
Real estate tax	11,082,230.94	11,076,205.06
Land use tax	5,126,449.13	4,779,301.36
Vehicle and vessel usage tax	41,816.34	44,897.44
Stamp duty	972,888.98	1,184,777.08
Local education surcharge	2,235,185.25	1,826,088.21
Environmental protection tax	493,208.95	684,824.01
Total	31,239,434.94	29,125,385.82

Other notes

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

46. Administrative Expense

Unit: RMB

Item	Amount for the Current Period	H1 2024
Salaries	75,165,450.56	77,230,152.38
Depreciation charges	19,839,428.51	20,703,778.67
Warehouse funding	18,803,130.99	18,344,401.07
Labor-union expenditure	5,179,275.40	5,236,534.53
Employee education budget	3,555,159.13	3,801,648.86
Amortization of intangible assets	6,915,254.58	6,729,562.66
Carriage charges	3,940,267.62	4,767,761.97
Others	29,549,110.60	21,991,320.55
Total	162,947,077.39	158,805,160.69

47. Selling Expense

Unit: RMB

Item	Amount for the Current Period	H1 2024
Salaries	32,470,002.40	32,065,926.42
Marketing expense	16,455,458.63	16,111,399.23
Depreciation charges	2,417,716.59	3,344,566.64
Business travel expenses	3,481,536.38	3,231,195.05
Office operating fee	9,776,313.03	5,569,616.81
Others	5,097,062.74	2,964,017.13
Total	69,698,089.77	63,286,721.28

48. R&D Expense

Unit: RMB

Item	Amount for the Current Period	H1 2024
Labor cost	56,204,005.76	63,810,510.13
Material expense	26,511,331.44	32,672,913.93

Depreciation charges	8,622,551.12	9,704,000.88
Others	9,108,731.66	9,187,172.25
Total	100,446,619.98	115,374,597.19

49. Financial Expenses

Unit: RMB

Item	Amount for the Current Period	H1 2024
Interest expense	47,165,800.25	50,759,962.29
Less: Capitalized interest expense		2,028,489.95
Interest income	34,380,042.79	24,797,577.49
Add: Capitalized interest income		
Foreign exchange gains or losses	-24,018,113.45	-22,788,175.63
Less: Capitalized foreign exchange gains or losses		
Others	3,429,784.88	3,103,872.71
Total	-7,802,571.11	4,249,591.93

50. Other Income

Unit: RMB

Sources	Amount for the Current Period	H1 2024
Government grants	7,517,472.62	11,197,161.62
Transfer of deferred revenue to government grants	3,674,182.34	3,731,952.21
Total	11,191,654.96	14,929,113.83

51. Gain on Changes in Fair Value

Unit: RMB

Sources of gain on changes in fair value	Amount for the Current Period	H1 2024
Held-for-trading financial assets	-68,635,671.97	-78,608,823.48
Of which: Gain on changes in fair value generated by derivative financial instruments		-4,942,381.29
Held-for-trading financial liabilities	15,022,492.55	-33,931,003.79
Total	-53,613,179.42	-112,539,827.27

52. Investment Income

Unit: RMB

Item	Amount for the Current Period	H1 2024
Long-term equity investments income accounted by equity method	1,393,710.04	8,619,094.53
Investment income from disposal of held-for-trading financial asset	196,029,346.86	-11,908,540.91
Interest income from debt investments during the holding period	2,120,807.51	
Total	199,543,864.41	-3,289,446.38

53. Credit Impairment Loss

Unit: RMB

Item	Amount for the Current Period	H1 2024
Loss on uncollectible notes receivable	-27,500.00	-331,749.55
Loss on uncollectible accounts receivable	-6,459,634.43	891,673.39
Loss on uncollectible other receivables	-80,208.77	27,530.58
Total	-6,567,343.20	587,454.42

54. Asset Impairment Loss

Unit: RMB

Item	Amount for the Current Period	H1 2024
I. Inventory falling price loss and impairment provision for contract performance costs	-29,091,375.28	-34,719,445.19
IV. Fixed assets impairment losses	-4,509,218.17	
Total	-33,600,593.45	-34,719,445.19

55. Asset Disposal Income

Unit: RMB

Source of asset disposal income	Amount for the Current Period	H1 2024
Impairment loss on fixed assets ("-" for loss)	-459,023.14	-232,868.16

56. Non-operating Income

Unit: RMB

Item	Amount for the Current Period	H1 2024	Amount recorded in the current non-recurring profit or loss
Claim income	6,576,005.30	2,268,221.27	6,576,005.30
Others	2,201,405.95	609,798.53	2,201,405.95
Total	8,777,411.25	2,878,019.80	8,777,411.25

57. Non-operating Expense

Unit: RMB

Item	Amount for the Current Period	H1 2024	Amount recorded in the current non-recurring profit or loss
Donations	643,300.48	699,531.71	643,300.48
Others	2,271,855.47	1,667,153.49	2,271,855.47
Total	2,915,155.95	2,366,685.20	2,915,155.95

58. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Amount for the Current Period	H1 2024
Current income tax expense	57,174,040.37	27,358,172.92
Deferred income tax expense	-668,120.35	-8,493,367.13
Total	56,505,920.02	18,864,805.79

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Amount for the Current Period
Profit before tax	424,464,227.93
Current income tax expense accounted at statutory/applicable tax rate	63,669,634.19
Influence of applying different tax rates by subsidiaries	10,670,479.08
Influence of income tax before adjustment	-544,672.37
Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period	-3,913,628.09
Influence of additional deduction of R&D expenses	-13,375,892.79
Income tax expense	56,505,920.02

59. Other Comprehensive Income

Refer to Note VII-40 for details.

60. Cash Flow Statement

(1) Cash Related to Operating Activities

Cash generated from other operating activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Government grants	2,252,168.15	3,216,502.43
Claim income	4,895,904.55	2,414,067.12
Recovery of employee borrowings, guarantee deposit and cash deposit	13,450,587.74	8,194,771.46
Collection for employees	1,929,902.80	346,822.55
Others	2,790,766.39	1,069,421.84
Total	25,319,329.63	15,241,585.40

Cash used in other operating activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
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Business travel charges	18,229,532.20	18,759,630.87
Insurance	2,041,400.38	3,018,009.97
Audit advisory announcement fee	2,383,967.23	2,118,482.59
Decoration fee	1,061,443.64	6,256,818.44
Donations	602,561.40	689,277.94
Payment of employee borrowings, petty cash and deposit	11,815,144.40	6,682,473.24
Agency service fee	21,250,368.31	7,462,933.03
Others	45,093,830.08	27,914,867.85
Total	102,478,247.64	72,902,493.93

(2) Cash Related to Investing Activities

Cash generated from other investing activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Interest income	30,860,778.46	25,561,955.08
Income from forward foreign exchange		623,600.00
Recovery of cash deposit		1,457,909.57
Recovery of fixed time deposits	255,211,287.22	25,054,958.83
Proceeds from financing securities		2,394,104.88
Total	286,072,065.68	55,092,528.36

Cash generated from important investing activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Government bond reverse repo	1,383,943,000.00	140,961,000.00
Structural deposits	2,499,100,000.00	226,000,000.00
Recovery of proceeds from industrial investment funds	13,932,363.58	
Total	3,896,975,363.58	366,961,000.00

Cash used in other investing activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Term deposits	52,675,673.76	184,000,000.00
Forward settlement exchange loss		3,380,600.00
Total	52,675,673.76	187,380,600.00

Cash used in significant investing activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Government bond reverse repo	1,534,114,000.00	90,000,000.00
Structural deposits	2,739,100,000.00	226,000,000.00

Wealth management products		150,000,000.00
Total	4,273,214,000.00	466,000,000.00

(3) Cash Related to Financing Activities

Cash used in other financing activities

Unit: RMB

Item	Amount for the Current Period	H1 2024
Repayment of lease liabilities and prepaid rent	9,250,108.12	9,319,173.11
B shares repurchase		37,825,078.13
Total	9,250,108.12	47,144,251.24

Changes in liabilities arising from financing activities

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Beginning balance	Increased amount of the Current Period		Decreased amount for the Current Period		Ending balance
		Cash fluctuations	Non-cash fluctuations	Cash fluctuations	Non-cash fluctuations	
Short-term loans	849,686,824.33	775,615,516.62		850,485,289.27	5,288,762.46	769,528,289.22
Long-term borrowings	408,920,511.93	20,000,000.00	123,687.56	8,463,200.86		420,580,998.63
Bonds payable	1,509,420,449.46		27,048,512.98	25,197,206.96	3,500.00	1,511,268,255.48
Lease liabilities	106,465,490.83		2,917,963.88	12,996,322.58		96,387,132.13
Total	2,874,493,276.55	795,615,516.62	30,090,164.42	897,142,019.67	5,292,262.46	2,797,764,675.46

61. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	H1 2025	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	367,958,307.91	174,035,246.63
Add: Provision for impairment of assets	40,167,936.65	34,131,990.77
Depreciation of fixed assets, oil-gas assets, and productive biological assets	243,072,636.34	239,784,009.94
Depreciation of right-of-use assets	13,382,543.58	12,660,992.42
Amortization of intangible assets	5,493,695.85	5,350,029.52
Amortization of long-term deferred expenses	2,194,483.31	671,332.62
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	459,023.14	232,868.16
Losses from scrap of fixed assets (gains: negative)		

Losses from changes in fair value (gains represented by “-”)	53,613,179.42	112,539,827.27
Financial expenses (gains: negative)	-11,232,355.99	1,145,719.22
Investment loss (gains represented by “-”)	-199,543,864.41	3,289,446.38
Decrease in deferred income tax assets (gains: negative)	10,212,729.67	-26,215.78
Increase in deferred income tax liabilities (“-” means decrease)	-10,880,850.02	-8,467,151.35
Decrease in inventory (gains: negative)	4,325,004.41	-27,021,239.55
Decrease in accounts receivable generated from operating activities (gains represented by “-”)	41,054,910.16	101,833,736.62
Increase in accounts payable used in operating activities (decrease represented by “-”)	-296,283,739.06	-198,738,940.18
Others		
Net cash flow from operating activities	263,993,640.96	451,421,652.69
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:		
Ending balance of cash	1,470,044,640.51	1,651,175,499.97
Less: Beginning balance of cash	1,371,412,259.52	1,353,615,305.93
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	98,632,380.99	297,560,194.04

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	1,470,044,640.51	1,371,412,259.52
Including: Cash on hand	7,356,389.93	4,283,695.11
Bank deposits on demand	1,462,324,493.06	1,367,128,564.41
Other monetary capital on demand	363,757.52	
II. Cash equivalents		
III. Ending balance of cash and cash equivalents	1,470,044,640.51	1,371,412,259.52

62. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capitals			

Of which: USD	177,987,964.38	7.1586	1,274,144,641.81
EUR	145,514.42	8.4024	1,222,670.36
HKD	1,792,560.44	0.9120	1,634,815.12
JPY	11,893,205.00	0.0496	589,902.97
GBP	27.18	9.8300	267.18
VND	222,601,653,123.00	0.0003	61,047,605.49
MMK	1,953,307,832.85	0.0034	6,658,547.69
KHR	698,932,769.00	0.0018	1,247,725.92
Accounts receivable			
Of which: USD	76,324,960.22	7.1586	546,379,860.23
EUR	238,184.55	8.4024	2,001,321.86
HKD			
VND	24,470,942,775.00	0.0003	6,711,057.35
MMK	2,672,621,414.00	0.0034	9,110,585.05
Other receivables:			
Of which: USD	1,256,614.24	7.1586	8,995,598.70
EUR	26,436.40	8.4024	222,129.21
HKD	147,149.00	0.9120	134,199.89
JPY	1,985,040.00	0.0496	98,457.98
VND	4,426,992,414.00	0.0003	1,214,084.81
MMK	143,538,630.00	0.0034	489,302.71
Accounts payable:			
Of which: USD	7,599,463.75	7.1586	54,401,521.20
EUR	27,250.00	8.4024	228,965.40
JPY	3,117,200.00	0.0496	154,613.12
CHF	4,400.00	0.0000	0.00
VND	29,726,879,210.00	0.0003	8,152,476.72
MMK	136,261,915.45	0.0034	464,497.43
Other payables:			
Of which: USD	16,552.25	7.1586	118,490.94
VND	391,343,099.00	0.0003	107,324.27
MMK	1,000,000.00	0.0034	3,408.86
Short-term loans:			
Of which: USD	99,674,705.04	7.1586	713,531,343.50
VND	204,185,120,522.92	0.0003	55,996,945.71
Long-term borrowings			
Of which: USD			
EUR			
HKD			

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

☒ Applicable ☐ Not applicable

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

63. Lease

(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	182,064.45
Low-value lease expenses	
Variable lease payments that are not covered in the measurement of the lease liabilities	
Total	182,064.45

(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	1,775,586.40	
Total	1,775,586.40	

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	
	Ending amount	Beginning amount
The first year	869,241.80	1,240,588.20

The second year	162,441.30	426,120.60
The third year		20,160.00
Total undiscounted lease receipts after five years - -	1,031,683.10	1,686,868.80

(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	H1 2024
Labor cost	56,204,005.76	63,810,510.13
Material expense	26,511,331.44	32,672,913.93
Depreciation charges	8,622,551.12	9,704,000.88
Others	9,108,731.66	9,187,172.25
Total	100,446,619.98	115,374,597.19
Of which: Expensed research and development expenditure	100,446,619.98	115,374,597.19

IX Change of Consolidation Scope

1. Disposal of Subsidiary

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

☐ Yes ☒ No

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

☐ Yes ☒ No

2. Other Reasons for Changes of Consolidation Scope

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

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

X Equity in Other Entities

1. Equity in Subsidiary

(1) Compositions of the Group

Unit: RMB

Name	Registered capital	Main	Regist	Nature of	Shareholding	Way of
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		operating place	ration place	business	percentage (%)		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%		Incorporated
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%		Incorporated
LuFeng Company Limited (hereinafter referred to as “LuFeng Company”)	706,160,000.00	Zibo	Zibo	Manufacturing industry	75.00%		Incorporated
Zibo Luqun Textile Co., Ltd. (hereinafter referred to as “Luqun Textile”)	168,220,000.00	Zibo	Zibo	Manufacturing industry	100.00%		Incorporated
Zibo Xinsheng Thermal Power Co., Ltd. (hereinafter referred to as “Xinsheng Thermal Power”)	162,435,600.00	Zibo	Zibo	Thermoelectric cogeneration	100.00%		Business combination not under the same control
Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as “Lulian New Materials”)	900,000,000.00	Zibo	Zibo	Manufacturing industry	75.00%	15,654,746.93	Incorporated
Shandong Lujia Import & Export Co., Ltd. (hereinafter referred to as “Lujia Import & Export”)	10,000,000.00	Zibo	Zibo	Import and export trade	100.00%		Incorporated
Beijing Zhishu Management Consulting Co., Ltd. (hereinafter referred to as “Zhishu Consulting”)	2,000,000.00	Beijing	Beijing	Management consulting	100.00%		Incorporated
Lu Thai Occupational Training School, Zichuan District, Zibo City (hereinafter referred to as “Lu Thai Training”)	100,000.00	Zibo	Zibo	Skill training	100.00%		Incorporated
Zibo Banyang Villa Hotel Co., Ltd. (hereinafter referred to as “Banyang Villa”)	5,000,000.00	Zibo	Zibo	Catering services	100.00%		Incorporated
Hainan Huilin International Holdings Co., Ltd. (“Huilin International”)	880,000,000.00	Wenchang	Wenchang	Modern service industry	100.00%		Incorporated
TP Company	398,203,876.00	Singapore	Singapore	Wholesale textiles and leather, holding company		100.00%	Incorporated
Vanguard Apparel Co., Ltd. (hereinafter referred to as “Vanguard Apparel”)	62,337,887.93	Burma	Burma	Manufacturing industry	100.00%		Incorporated
Lu Thai (USA) Textile Co., Ltd. (hereinafter referred to as “Lu Thai (USA)”)	6,139,710.00	America	America	Wholesale and retail industry	100.00%		Incorporated
Tianyi Apparel Co., Ltd. (hereinafter referred to as	10,719,000.00	Burma	Burma	Manufacturing industry	100.00%		Incorporated

“Tianyi Apparel”)							
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	Equity of non-controlling interests at the end of the period
LuFeng Company	15,654,746.93	7,742,581.19	75,000,000.00	315,582,036.11

(3) The Main Financial Information of Significant Non-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	1,136,219.95 1.87	571,164,225.62	1,707,384,177.49	390,695,269.00	49,352,121.45	440,047,390.45	1,096,938,632.35	648,235,124.19	1,745,173,756.54	156,224,247.67	50,393,232.00	206,617,479.67

Unit: RMB

Name	Amount for the Current Period				H1 2024			
	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	493,360,293.18	28,443,221.22	28,381,052.29	-55,574,848.58	642,748,692.32	43,872,724.61	43,890,298.36	131,109,720.07

2. Equity in Joint Ventures or Associated Enterprises

(1) Significant Joint Ventures or Associated Enterprises

Name of joint ventures or associated enterprises	Main operating place	Registration place	Nature of business	Shareholding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	

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	59,855,543.31	193,171,974.67	97,221,745.84	193,217,687.26
Non-current assets				
Total assets	59,855,543.31	193,171,974.67	97,221,745.84	193,217,687.26
Current liabilities	3,253,866.05		3,253,866.05	
Non-current liability				
Total liabilities	3,253,866.05		3,253,866.05	
Net assets	56,601,677.26	193,171,974.67	93,967,879.79	193,217,687.26
Equity of non-controlling interests				
Equity attributable to shareholders of the parent company	56,601,677.26	193,171,974.67	93,967,879.79	193,217,687.26
Net assets shares calculated at the shareholding proportion	18,870,148.61	91,988,494.34	31,325,690.58	92,010,262.67
Adjusted items				
- Goodwill				
- Internal unrealized profit				
- Others		-3,247,328.29		-3,251,681.96
Carrying value of investment to associated enterprises	18,870,148.61	88,741,166.05	31,325,690.58	88,758,580.71
Fair value of equity investments in associated enterprises with publicly quoted prices				
Operating revenue				
Net profit	4,233,797.47	-45,712.59	-50,801,107.48	-17,117,805.92
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	4,233,797.47	-45,712.59	-50,801,107.48	-17,117,805.92
Dividends received from the associated enterprises in the Current Period				

XI Government Grants

1. Government Grants Recognized at the End of the Reporting Period at the Amount Receivable

☐ Applicable ☒ Not applicable

Reasons for failing to receive government grants in the estimated amount at the estimated point in time

☐ Applicable ☒ Not applicable

2. Liability Items Involving Government Grants

☐ Applicable ☒ Not applicable

3. Government Grants Recognized in Profit or Loss for the Current Period

☒ Applicable ☐ Not applicable

Unit: RMB

Accounting items	Amount for the Current Period	H1 2024
Other income	11,191,654.96	14,929,113.83
Financial expenses	126,500.01	84,024.92
Total	11,318,154.97	15,013,138.75

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, receivables financing, other receivables, held-for-trading financial assets, other non-current financial assets, other non-current assets - term deposits over one year, accounts payable, other payables, short-term loans, 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 and interest rate risk).

The Board of Directors shall be responsible for planning and establishing the risk management framework for the Company, determining the Company's risk management policies and relevant guidelines and monitoring the implementation of various risk

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

(1) Credit Risk

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

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

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

For notes receivable, accounts receivable, other accounts receivable and long-term receivables, 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 24.82% of the total amount of accounts receivable of the Company (22.16% in 2024). As for other receivables, the top 5 of the ending balance according to the arrears party was accounted for 63.32% of the total amount of other receivables of the Company (69.61% in 2024).

Debt investment

The Company generally limits its exposure to credit risk by investing only in securities for which there is an active market (other than long-term strategic investments) and for which the counterpart has a high credit rating.

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

On the balance sheet date, the carrying value of investment in debt obligations of the Company are listed as follows according to report items. (Unit: RMB'0,000)

	Ending balance	Closing balance of last year
Held-for-trading financial assets	62,068.16	23,087.41
Debt investment due within one year	15,629.74	15,417.66
Total	77,697.90	38,505.07

(2) Liquidity Risk

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

During the management of liquidity risk, the Company shall reserve and monitor corresponding cash and cash equivalent deemed sufficient by the management so as to meet the Company's operational requirements and mitigate the impact caused by the cash flow fluctuation. The Company's management will monitor the use of bank loans and guarantee the fulfillment of loan agreement.

Meanwhile, major financial institutions shall promise to provide the Company with sufficient reserve funds in order to satisfy the short-term and long-term fund demand. The Company shall raise its working capital based on the capital generated from business operations and bank loans.

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

Item	Ending balance			
	Within one year	Within one to five years	Over five years	Total
Financial liabilities:				
Short-term loans	777,348,854.17			777,348,854.17
Accounts payable	174,248,558.77			174,248,558.77
Other payables	19,703,690.74			19,703,690.74
Long-term borrowings	20,819,399.04	412,514,989.55		433,334,388.59
Bonds payable	1,399,841,200.00			1,399,841,200.00
Lease liabilities	19,353,237.59	52,861,448.08	47,878,562.82	120,093,248.49
Total	2,411,314,940.31	465,376,437.63	47,878,562.82	2,924,569,940.76

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 five years	Total
Financial liabilities:				
Short-term loans	855,549,333.86			855,549,333.86
Accounts payable	272,079,091.51			272,079,091.51
Other payables	17,437,799.60			17,437,799.60
Long-term borrowings	21,948,346.33	405,344,416.41		427,292,762.74
Bonds payable		1,399,844,700.00		1,399,844,700.00
Lease liabilities	20,183,287.07	58,411,429.64	54,533,430.61	133,128,147.33
Total	1,187,197,858.37	1,863,600,546.05	54,533,430.61	3,105,331,835.04

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 and the exchange rate risk.

Interest rate risk

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

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

liabilities based on the fixed interest rate the fair value interest rate risk.

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

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

Item	Amount of Current Period	Amount of the Previous Period
Fixed-interest financial instruments		
Including: Short-term loans	76,952.83	70,968.68
Long-term borrowings matured within one year		425.00
Long-term borrowings		
Bonds payable	151,126.83	150,942.04
Total	228,079.65	222,335.73
Floating-interest financial instruments		
Financial assets	62,068.16	38,505.07
Including: Held-for-trading financial assets	62,068.16	23,087.41
Debt investment due within one year	15,629.74	15,417.66
Financial liabilities	40,815.46	40,467.05
Including: Short-term loans		
Long-term borrowings matured within one year	1,242.64	842.64
Long-term borrowings	39,572.82	39,624.41
Total	102,883.62	78,972.12

On June 30, 2025, if the lending rate calculated at floating interest rate up or down 100 basis points with other variables unchanged, the net profit and shareholders' equity will be decreased or increased about RMB3,469,300 (compared to RMB3,439,700 as at 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 profit and shareholders' equity in the sensitivity analysis above is the impact of re-measuring the above financial instruments at the new interest rate, assuming that there is a change in interest rates at the balance sheet date. For floating rate non-derivative instruments held at the balance sheet date that expose the Company to cash flow interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of changes in the above interest rates on interest expense or income estimated on an annualized basis. The previous year's analysis was based on the same assumptions and methodology.

Foreign exchange risk

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

The Company's recognized foreign currency assets and liabilities as well as future foreign currency transactions (the denomination currencies of foreign currency assets and liabilities and foreign currency transactions are mainly USD, VND, EUR, and HKD) are

exposed to foreign exchange risk.

On June 30, 2025, the amount of foreign currency financial assets and foreign currency financial liabilities converted to renminbi is as follows (Unit: RMB'0,000):

Item	Foreign currency liabilities		Foreign currency assets	
	Ending balance	Closing balance of last year	Ending balance	Closing balance of last year
USD	76,805.14	73,605.67	182,952.01	178,017.80
EUR	22.90	18.79	344.61	412.75
JPY	15.46	14.91	68.84	14.43
HKD			176.90	100.84
GBP			0.03	0.02
VND	6,425.67	7,442.45	6,897.27	6,964.15
MMK	46.79	224.19	1,625.84	710.25
KHR			124.77	96.76
Total	83,315.96	81,306.01	192,190.27	186,317.00

The Company has paid close attention the impact of exchange rate fluctuations on the Company'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 Company's monetary capitals, notes receivable, accounts payable, other payables, short-term loans and long-term loans 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	-8,467.99	-8,467.99	-5,706.30	-5,706.30
10% depreciation against RMB	8,467.99	8,467.99	5,706.30	5,706.30

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 instruments or sell assets to reduce debts.

The Company supervised the capital structure based on the asset-liability ratio (namely total liabilities divide total assets). On June 30, 2025, the asset-liability ratio was 27.76% of the Company (29.49% on December 31, 2024).

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. Held-for-trading financial assets	187,230,880.00	862,120,278.38		1,049,351,158.38
1. Financial assets at fair value through profit or loss	187,230,880.00	862,120,278.38		1,049,351,158.38
(1) Investment in debt instruments	150,171,000.00	470,510,575.78		620,681,575.78
(2) Equity investments	37,059,880.00	391,609,702.60		428,669,582.60
ii. Accounts receivable financing			37,499,801.20	37,499,801.20
iii. Other non-current financial assets			82,800,000.00	82,800,000.00
The total amount of assets consistently measured at fair value	187,230,880.00	862,120,278.38	120,299,801.20	1,169,650,959.58
vi. Held-for-trading financial liabilities		836,220.67		836,220.67
Derivative financial liabilities		836,220.67		836,220.67
The total amount of liabilities consistently measured at fair value		836,220.67		836,220.67
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 structural deposits and wealth management products based on the prospective earning rate as agreed in the contract.

The Company determines the fair value of fund products based on the changes in net value published by the private equity funds.

The Company determines the fair value of forward options based on bank forward foreign exchange quotations at the end of the period.

4. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

For the unlisted equity investment, the Company adopts the comparable listed company comparison method, and the non-observable input value of the comparable listed company comparison method includes the liquidity discount.

The investment into Shandong Hongqiao 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 through profit or 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. Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value

The financial assets and financial liabilities measured at amortized cost mainly include monetary capitals, notes receivable, accounts receivable, other receivables, short-term loans, 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 Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the parent company against the Company (%)	Proportion of voting rights owned by the parent company against the Company (%)
Lucheng Textile	Zibo	Textile, chemistry and investment	RMB63,260,000	17.17%	17.17%

Notes: Information on the parent company

The final controllers of the Company are Mr. Liu Zibin and Mr. Liu Deming.

2. Subsidiaries of the Company

Refer to Note X-1.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note X-2.

4. Information on Other Related Parties

Name	Relationship with the Company
Zibo Limin Purified Water Co., Ltd. (hereinafter referred to as "Limin Purified Water")	Same parent company
Zibo Luqun Land Co., Ltd. (hereinafter referred to as "Luqun Land")	Same parent company
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as "Lurui Chemical")	Same parent company
Zibo Lujia Property Management Co., Ltd. (hereinafter referred to as "Lujia Property")	Same parent company
Hong Kong Tung Hoi International Company Limited (hereinafter referred to as "Tung Hoi International")	Same parent company
Zibo Chengshun Hosiery Co., Ltd. (hereinafter referred to as "Chengshun Hosiery")	Same parent company

Zibo Chengshun Economic and Trade Co., Ltd. (hereinafter referred to as “Chengshun Economic and Trade”)	Same parent company
Chengshun Petrochemical (Zhejiang Zhoushan) Co., Ltd. (hereinafter referred to as “Chengshun Petrochemical”)	Same parent company
Zibo Lucheng Petrochemical Sales Co., Ltd. (hereinafter referred to as “Lucheng Petrochemical”)	Same parent company
Shanghai Hengjiu Textile New Materials Co., Ltd. (hereinafter referred to as “Hengjiu Textile”)	Same parent company
Shandong Xirui New Materials Co., Ltd. (hereinafter referred to as the “Xirui New Material”)	Subsidiary of the parent company’s subsidiary
Zibo Lumei Economic and Trade Co., Ltd. (hereinafter referred to as “Lumei Economic and Trade”)	Same parent company
Zibo Hesheng Chemical Trading Co., Ltd. (hereinafter referred to as “Hesheng Chemical Trading”)	Subsidiary of the parent company’s subsidiary
ZhiFeng (Vietnam) International Trading Co., Ltd. (hereinafter referred to as “ZhiFeng International”)	Subsidiary of the parent company’s subsidiary
Liu Zibin, Xu Zhinan, Xu Jianlv, Zheng Huisheng, Liu Deming, Zhang Zhanqi, Zhang Keming, Du Lixin, Zhu Beina, Yu Mingtao, Quan Yuhua, Wei Jian, Shang Chenggang, Yu Shouzheng, Liu Zilong, Dong Shibing, Guo Heng, Lv Wenquan, Xu Feng, Zheng Weiyin	Key management personnel

5. List of Related-party Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Amount for the Current Period	The approval trade credit	Whether exceed trade credit or not	H1 2024
Limin Purified Water	Recycled water, sewage treatment	11,966,867.49	15,290,000.00	Not	12,481,784.67
Lurui Chemical	Auxiliaries	36,588,668.84	41,950,000.00	Not	32,529,628.10
Tung Hoi International	Auxiliaries	21,197,156.06	24,000,000.00	Not	18,168,676.77
Chengshun Hosiery and Luqun Land	Paper core, hosiery, purchase of materials such as hose, electrical, etc.	3,039,439.51	5,408,333.33	Not	4,153,331.37
Chengshun Economic and Trade	Supermarket retail	903,874.20	1,880,000.00	Not	339,217.59
Lucheng Petrochemical Petrochemical	Oil	1,721,161.37	1,913,666.67	Not	2,080,671.55
Chengshun Petrochemical	Oil, natural gas	21,651,580.57	30,250,000.00	Not	23,800,279.70

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Amount for the Current Period	H1 2024
Chengshun Hosiery	Yarn, yarn-dyed fabric, etc.	170,156.08	246,017.94

Chengshun Hosiery	Materials, electricity, running water, heating, steam	108,565.44	122,866.93
Chengshun Economic and Trade	Materials, electricity, running water, yarn, garments, food, heating, steam	104,193.73	246,399.80
Lucheng Petrochemical Petrochemical	Materials, electricity	7,843.35	6,695.10
Limin Purified Water	Materials, electricity, garments, meal service in classes, foods	2,936,176.07	3,983,115.40
Lurui Chemical	Garments, fabrics, foods	10,394.59	157,715.38
Lujia Property	Materials, garments	22,153.93	18,563.66
Xirui New Material	Catering and accommodation service	5,107.54	13,441.51
Xirui New Material	Materials, garments, etc.	27,351.24	16,635.31

(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	50,636.00	40,950.67
Chengshun Hosiery	Rent of houses and buildings	8,400.00	8,400.00

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	Rental expense of simplified short-term leases and low-value asset leases (if applicable)		Variable lease payments that are not covered in the measurement of the lease liabilities (if applicable)		Rent payable		Interest expense on lease liabilities borne		Added right-of-use assets	
		Amount for the Current Period	H1 2024	Amount for the Current Period	H1 2024	Amount for the Current Period	H1 2024	Amount for the Current Period	H1 2024	Amount for the Current Period	H1 2024
Lucheng Textile	Rent of land					1,807,428.60	1,807,428.60	440,389.20	502,383.97		
Lucheng Textile	Rent of gas station					116,571.42	116,571.42	47,489.98	50,622.80		
Lucheng Textile	Rent of buildings					5,511,143.30	5,511,143.30	931,811.76	1,012,510.71		
Luqun Land	Rent of land and buildings					985,714.26	985,714.26	528,358.35	549,099.27		

6. Accounts Receivable and Payable of Related Party**(1) Accounts Payable**

Unit: RMB

Project name	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Lurui Chemical	571,851.35	230,514.74
Accounts payable	Tung Hoi International	8,944,875.45	3,445,679.03
Accounts payable	Hesheng Chemical Trading	405,374.87	

XV Stock Payment**1. The Overall Situation of Share-based Payments**

☐ Applicable ☒ Not applicable

2. Equity-settled Share-based Payments

☐ Applicable ☒ Not applicable

3. Cash-settled Share-based Payments

☐ Applicable ☒ Not applicable

4. Share-based Payment Expenses for the Period

☐ Applicable ☒ Not applicable

5. Modification and Termination of Share-based Payment

N/A

XVI Commitments and Contingency**1. Significant Commitments**

Significant commitments on balance sheet date

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)	8,426.93	3,244.50

2. Contingency**(1) Explanation Shall Be Given Even if There Is No Significant Contingency for the Company to Disclose**

There was no significant contingency in the Company to disclose.

XVII Events after Balance Sheet Date

1. Distribution of Profit

Amount to be distributed for every ten shares (RMB)	1.00
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)	1.00
Dividend shares to be distributed for every ten shares after consideration and approval	0
Number of shares to be converted into share capital for every ten shares after consideration and approval (share)	0
Distribution of profit	On August 27, 2025, the 3rd meeting of the 11th Board of Directors of the Company approved the profit distribution plan for H1 2025 as follows: The Company plans to distribute a cash dividend of RMB1.00 (inclusive of tax) for every 10 shares, based on a share capital base of 817,306,563 shares. The total amount of dividends calculated on this basis is RMB81,730,656.30. At the 2024 Annual General Meeting held on May 7, 2025, the Company authorized the Board of Directors to formulate and implement the 2025 interim profit distribution plan within the specified time frame, provided that the conditions for distribution of profit are met, without requiring further shareholders meeting approval.

2. Notes to Other Events after Balance Sheet Date

As at August 27, 2025, 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 Company

1. Accounts Receivable

(1) Disclosure by Aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including one year)	405,590,990.73	405,094,184.12
One to two years	1,369,497.40	1,507,926.77
Two to three years	1,064,187.46	550,870.00
More than three years	269,200.00	367,200.00
Three to four years	269,200.00	200,763.00
Four to five years		166,437.00
Total	408,293,875.59	407,520,180.89

(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	Percentage (%)	Amount	Withdrawal proportion		Amount	Percentage (%)	Amount	Withdrawal proportion	
Accounts receivable withdrawal of Bad debt provision separately accrued	1,444,082.86	0.35%	1,444,082.86	100.00%		1,380,525.86	0.34%	1,380,525.86	100.00%	
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	406,849,792.73	99.65%	24,250,416.16	5.96%	382,599,376.57	406,139,655.03	99.66%	24,795,853.37	6.11%	381,343,801.66
Of which:										
Undue accounts (L/C)	50,547,382.50	12.38%			50,547,382.50	53,016,898.75	13.01%			53,016,898.75
Undue accounts (credit insurance insured)	13,611,764.87	3.33%	142,923.53	1.05%	13,468,841.34	11,429,561.62	2.80%	120,010.40	1.05%	11,309,551.22
Undue accounts (no credit insurance)	304,699,075.52	74.63%	15,234,953.78	5.00%	289,464,121.74	298,370,197.72	73.22%	14,918,509.88	5.00%	283,451,687.84
Overdue accounts (credit insurance insured)	10,393,917.68	2.55%	1,631,845.08	15.70%	8,762,072.60	14,193,001.99	3.48%	2,228,301.31	15.70%	11,964,700.68
Overdue accounts (no credit insurance)	27,597,652.16	6.76%	7,240,693.77	26.24%	20,356,958.39	29,129,994.95	7.15%	7,529,031.78	25.85%	21,600,963.17
Total	408,293,875.5	100.00%	25,694,499.02	6.29%	382,599,376.57	407,520,180.89	100.00%	26,176,379.23	6.42%	381,343,801.66

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The category name of bad debt provision separately accrued: June 2025

Unit: RMB

Name	Beginning balance		Ending balance			
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision	Withdrawal proportion	Reason for withdraw
Customer 1	1,380,525.86	1,380,525.86	1,444,082.86	1,444,082.86	100.00%	Customer in financial difficulty
Total	1,380,525.86	1,380,525.86	1,444,082.86	1,444,082.86		

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

☐ Applicable ☒ Not applicable

(3) 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	Write-offs	Others	
Bad debt provision	26,176,379.23	-589,618.21	-107,738.00			25,694,499.02
Total	26,176,379.23	-589,618.21	-107,738.00			25,694,499.02

(4) Accounts Receivable Written-off in Current Period

Unit: RMB

Item	Written-off amount
Written-off accounts receivable	0.00

(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
Qiming Apparel Co., Ltd.	70,559,429.84		70,559,429.84	17.28%	3,527,971.49
LuFeng Company Limited	41,911,769.15		41,911,769.15	10.27%	2,095,588.46
SH Company	26,333,337.61		26,333,337.61	6.45%	1,316,666.88
Chenfeng (Jiangsu) Textile Co., Ltd.	20,424,726.37		20,424,726.37	5.00%	1,021,236.33

Customer E	13,037,273.07		13,037,273.07	3.19%	109,104.11
Total	172,266,536.04		172,266,536.04	42.19%	8,070,567.27

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Dividend receivable	225,000,000.00	
Other receivables	1,331,331,125.47	1,444,344,599.59
Total	1,556,331,125.47	1,444,344,599.59

(1) Dividend Receivable

1) Dividend receivable classification

Unit: RMB

Item (or investee)	Ending balance	Beginning balance
LuFeng Company	225,000,000.00	
Total	225,000,000.00	

2) Disclosure by withdrawal methods for bad debts

☐ Applicable ☒ Not applicable

(2) Other Receivables

1) Other receivables classified by nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	1,323,582,882.67	1,438,423,895.04
Payment on behalf	6,545,318.62	6,572,485.56
Guarantee deposit and cash deposit	1,587,618.38	2,109,217.68
Borrowings and petty cash	1,320,128.21	949,740.81
Others	4,395,109.54	2,656,594.02
Total	1,337,431,057.42	1,450,711,933.11

2) Disclosure by aging

Unit: RMB

Aging	Ending carrying amount	Beginning carrying amount
Within one year (including one year)	1,040,165,026.91	1,371,173,184.48
One to two years	72,311,441.47	27,700,512.72

Two to three years	191,230,630.00	13,105,000.00
More than three years	33,723,959.04	38,733,235.91
Three to four years	54,000.00	36,109,026.05
Four to five years	31,055,026.05	
Over five years	2,614,932.99	2,624,209.86
Total	1,337,431,057.42	1,450,711,933.11

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	Percentage (%)	Amount	Withdrawal proportion		Amount	Percentage (%)	Amount	Withdrawal proportion	
Of which:										
Withdrawal of bad debt provision by group	1,337,431,057.42	100.00%	6,099,931.95	0.46%	1,331,331,125.47	1,450,711,933.11	100.00%	6,367,333.52	0.44%	1,444,344,599.59
Of which:										
Bad debt provision in Stage 1	1,334,343,306.36	99.77%	4,508,769.84	0.34%	1,329,834,536.52	1,447,622,162.05	99.79%	4,775,185.04	0.33%	1,442,846,977.01
Bad debt provision in Stage 2	2,924,739.01	0.22%	1,428,150.06	48.83%	1,496,588.95	2,926,759.01	0.20%	1,429,136.43	48.83%	1,497,622.58
Bad debt provision in Stage 3	163,012.05	0.01%	163,012.05	100.00%	0.00	163,012.05	0.01%	163,012.05	100.00%	0.00
Total	1,337,431,057.42	100.00%	6,099,931.95	0.46%	1,331,331,125.47	1,450,711,933.11	100.00%	6,367,333.52	0.44%	1,444,344,599.59

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

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected credit loss in the duration (credit impairment not occurred)	Expected credit loss in the duration (credit impairment occurred)	
Balance of January 1, 2025	4,775,185.04	1,429,136.43	163,012.05	6,367,333.52

Balance of January 1, 2025 in the Current Period				
Withdrawal of the Current Period	-266,415.20	-986.37		-267,401.57
Balance of June 30, 2025	4,508,769.84	1,428,150.06	163,012.05	6,099,931.95

Basis of classification of stages and percentage of provision for bad debts

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/Verification	Others	
Bad debt provision	6,367,333.52	-267,401.57				6,099,931.95
Total	6,367,333.52	-267,401.57				6,099,931.95

5) Top 5 of the ending balance of the other receivables 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
WX Company	Intercompany funds	999,472,237.29	Within one year; one to two years; two to three years	74.73%	2,998,416.71
XZ Company	Intercompany funds	122,273,145.36	Within one year	9.14%	366,819.44
ZJ Company	Intercompany funds	111,402,987.15	Within one year	8.33%	334,208.96
Shandong Lulian New Materials Co., Ltd.	Intercompany funds	55,949,237.42	Within one year; two to three years; over three years	4.18%	167,847.71
Shandong Lujia Import & Export Co., Ltd.	Intercompany funds	17,041,491.70	Within one year	1.27%	51,124.48
Total		1,306,139,098.92		97.65%	3,918,417.30

3. Long-term Equity Investments

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Provision for impairment losses	Carrying value	Carrying amount	Provision for impairment losses	Carrying value

Investment to subsidiaries	3,776,326,994.25	10,209,050.00	3,766,117,944.25	3,776,326,276.50	10,209,050.00	3,766,117,226.50
Investment to joint ventures and associated enterprises	107,611,314.66		107,611,314.66	120,084,271.29		120,084,271.29
Total	3,883,938,308.91	10,209,050.00	3,873,729,258.91	3,896,410,547.79	10,209,050.00	3,886,201,497.79

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of provision for impairment	Increase/decrease for the Current Period				Ending balance (carrying value)	Ending balance of provision for impairment
			Additional investment	Reduced investment	Withdrawal of impairment provision	Others		
Xinsheng Thermal Power	176,340,737.93						176,340,737.93	
LuFeng Company	529,620,000.00						529,620,000.00	
Luqun Textile	171,784,550.00						171,784,550.00	
Lu Thai Hong Kong	128,771,800.00						128,771,800.00	
Shanghai Luthai	20,000,000.00						20,000,000.00	
Lu Thai (America)	0.00	10,209,050.00					0.00	10,209,050.00
VACL	62,337,238.57		717.75				62,337,956.32	
Lulian New Materials	619,443,900.00						619,443,900.00	
Lujia Import & Export	10,000,000.00						10,000,000.00	
Lu Thai Vocational Training School	100,000.00						100,000.00	
Zhishu Consulting	2,000,000.00						2,000,000.00	
Huilin International	1,630,000,000.00						1,630,000,000.00	
Banyang Villa	5,000,000.00						5,000,000.00	
Tianyi Apparel	10,719,000.00						10,719,000.00	
Yuanhui Fund	400,000,000.00						400,000,000.00	
Total	3,766,117,226.50	10,209,050.00	717.75				3,766,117,944.25	10,209,050.00

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Beginning balance of provision for impairment	Increase/decrease for the Current Period								Ending balance (carrying value)	Ending balance of provision for impairment
			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												
Haohong Investment	31,325,690.58			13,866,666.67	1,411,124.70						18,870,148.61	
Haoying Investment	88,758,580.71			0.00	-17,414.66						88,741,166.05	
Subtotal	120,084,271.29		0.00	13,866,666.67	1,393,710.04			0.00			107,611,314.66	
Total	120,084,271.29		0.00	13,866,666.67	1,393,710.04			0.00			107,611,314.66	

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

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Amount for the Current Period		H1 2024	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	1,279,023,281.60	976,688,435.81	1,343,767,089.55	1,031,390,146.40
Other operations	101,627,992.90	70,820,305.91	124,619,201.80	80,166,752.65
Total	1,380,651,274.50	1,047,508,741.72	1,468,386,291.35	1,111,556,899.05

Information in relation to the transaction price apportioned to the residual contract performance obligation:

The amount of revenue corresponding to performance obligations of contracts signed but not performed or not fully performed yet was RMB0.00 at the period-end, among which RMB0.00 was expected to be recognized in XXX, RMB0.00 was expected to be recognized in XXX, and RMB0.00 was expected to be recognized in XXX.

5. Investment Income

Unit: RMB

Item	Amount for the Current Period	H1 2024
Long-term equity investments income accounted by cost method	325,000,000.00	3,668,556.38
Long-term equity investments income accounted by equity method	1,393,710.04	8,619,094.53
Investment income from disposal of held-for-trading financial asset	199,267,507.77	2,546,832.11
Interest income from debt investments during the holding period	2,120,807.51	
Total	527,782,025.32	14,834,483.02

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	-484,650.50	
Government grants recognized in profit or loss for the Current Period (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)	11,318,154.97	
Gain/loss on changes in fair value in financial assets and liabilities held by a non-financial enterprise, as well as on disposal of financial assets and financial liabilities (exclusive of the effective portion of hedges that is related to the Company's normal business operations)	143,576,091.96	
Non-operating income and expense other than the above	5,423,599.73	
Less: Income tax effects	24,241,165.21	
Non-controlling interests effects (after tax)	991,643.02	
Total	134,600,387.93	--

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—Non-recurring Gains and Losses*:

☐ Applicable ☒ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS	
		EPS-basic (RMB/share)	EPS-diluted (RMB/share)

Net profit attributable to ordinary shareholders of the Company	3.75%	0.44	0.40
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	2.34%	0.28	0.26

Part IX Other Submitted Data

I Other Major Social Security Issues

Indicate by tick mark whether the Company and its subsidiaries were involved in other major social safety issues.

☐ Yes ☒ No ☐ Not applicable

Indicate by tick mark whether administrative penalties were imposed during the Reporting Period.

☐ Yes ☒ No ☐ Not applicable

II Registration Form for Activities during the Reporting Period, Including Surveys, Communication, and Interviews

☒ Applicable ☐ Not applicable

Date	Place	Way of communication	Type of visitor	Visitor	Main discussions and materials provided	Index to communication information
April 10, 2025	The Company's conference room	By phone	Institution	Institutional investor	Company profile	<i>Investor Relations Management Information 20250410</i> disclosed on www.cninfo.com.cn by the Company on April 10, 2025
April 22, 2025	The Company's conference room	Online exchange	Others	Investor	Company profile	<i>Investor Relations Management Archive 20250422</i> disclosed on www.cninfo.com.cn by the Company on April 22, 2025
April 30, 2025	The Company's conference room	By phone	Institution	Institutional investor	Company profile	<i>Investor Relations Management Archive 20250430</i> disclosed on www.cninfo.com.cn by the Company on May 6, 2025
May 15, 2025	The Company's conference room	Online exchange	Others	Investor	Company profile	<i>Investor Relations Management Archive 20250515</i> disclosed on www.cninfo.com.cn by the Company on May 15, 2025

III Capital Transactions between the Listed Company and the Controlling Shareholder or Other Related Parties

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Name of the counterparty	Nature of the transaction	Beginning balance	Amount incurred during the Reporting	Amount repaid during the Reporting	Ending balance	Interest income	Interest expenses
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			Period	Period			e
Zibo Lucheng Textile Investment Co., Ltd.	Operating transactions		781.14	781.14			
Chengshun Petrochemical (Zhejiang Zhoushan) Co., Ltd.	Operating transactions		2,361.6	2,361.6			
Shandong Xirui New Materials Co., Ltd.	Operating transactions		3.39	3.39			
Zibo Chengshun Economic and Trade Co., Ltd.	Operating transactions		101.91	101.91			
Zibo Chengshun Economic and Trade Co., Ltd.	Operating transactions		17.09	17.09			
Zibo Chengshun Hosiery Co., Ltd.	Operating transactions		333.36	333.36			
Zibo Chengshun Hosiery Co., Ltd.	Operating transactions		32.32	32.32			
Zibo Lucheng Petrochemical Sales Co., Ltd.	Operating transactions		194.49	194.49			
Zibo Lucheng Petrochemical Sales Co., Ltd.	Operating transactions		0.89	0.89			
Zibo Lujia Property Management Co., Ltd.	Operating transactions		2.5	2.5			
Zibo Luqun Land Co., Ltd.	Operating transactions		113.6	113.6			
Zibo Lurui Fine Chemical Co., Ltd.	Operating transactions	23.05	4,031.22	3,997.25	57.02		
Zibo Lurui Fine Chemical Co., Ltd.	Operating transactions		1.16	1.16			
Zibo Hesheng Chemical Trading Co., Ltd.	Operating transactions		71.29	30.87	40.42		
Hong Kong Tung Hoi International Company Limited	Operating transactions	344.57	2,119.72	1,572.38	891.91		
Zibo Limin Purified Water Co., Ltd.	Operating transactions		1,338.63	1,338.63			
Zibo Limin Purified Water Co., Ltd.	Operating transactions		331.77	331.77			
Shandong Lulian New Materials Co., Ltd.	Non-operating transactions	4,092.24	3,162.44	1,720.76	5,594.92	61	
LuFeng Company Limited	Non-operating transactions		1,136.13	1,099.81	36.32		
Zibo Xinsheng Thermal Power Co., Ltd.	Non-operating transactions		1,751.92	58.27	1,700	6.35	
Zibo Luqun Textile Co., Ltd.	Non-operating transactions	1,200	160.07	1,376.56		16.49	
ZJ Company	Non-operating transactions	25,950.53	30,630.82	45,931.2	11,140.3	490.15	
XZ Company	Non-operating	13,373.54	8,677.14	10,187.68	12,227.31	364.32	

	transactions						
Shandong Lujia Import & Export Co., Ltd.	Non-operating transactions	1,104.01	3,032.76	2,448.64	1,704.15	16.02	
Lu Thai Occupational Training School, Zichuan District, Zibo City	Non-operating transactions		1.66	1.66			
Zibo Banyang Villa Hotel Co., Ltd.	Non-operating transactions	4.79	70.94	71.47	4.26		
Shanghai Lu Thai Textile Garment Co., Ltd.	Non-operating transactions		8.34	4.54	3.8		
Beijing Zhishu Management Consulting Co., Ltd.	Non-operating transactions		0.03	0.03			
WX Company	Non-operating transactions	97,146.41	39,554.8	39,105.63	99,947.23	2,351.64	
Lu Thai (Hong Kong) Textile Co., Ltd.	Non-operating transactions	970.87		970.87			
Hainan Huilin International Holdings Co., Ltd.	Non-operating transactions		0.07	0.07			
Total	--	144,210.01	100,023.2	114,191.54	133,347.64	3,305.97	0

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

August 29, 2025