# LU THAI TEXTILE CO., LTD.

# INTERIM REPORT 2026

# August 2026

# 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 2026. 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 2026, the international environment was complex and volatile, and the spillover risks of geopolitical conflicts increased. Facing the complex situation, China implemented more proactive and effective macroeconomic policies, keeping economic operation within a reasonable range and continuously demonstrating development resilience. According to data released by the National Bureau of Statistics, China's gross domestic product (GDP) grew by 4.7% year-on-year in the first half of this year, and total retail sales of consumer goods reached RMB24.87 trillion, up 1.3% year-on-year. Against the backdrop of continuous fluctuations in the global economic and trade environment, China's economy has shown strong development resilience and vitality. Looking ahead to the full year, the global economic and trade environment will become more complex and volatile, and the foundation for economic recovery still needs to be consolidated. The textile and apparel industry needs to continuously deepen transformation and upgrading, accelerate the construction of a modern industrial system, and continuously build a solid foundation for high-quality development characterized by stabilizing growth, preventing risks, and promoting transformation. For details, please refer to Part III Management Discussion and Analysis.**

**The Board has approved an interim dividend plan as follows: based on the share capital of 817,525,607 shares, a cash dividend of RMB1.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.**

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

# Table of Contents

## 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. |
| 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 *Company Law* | Refers to | *The Company Law of the People's Republic of China* |
| The *Securities Law* | Refers to | *The Securities Law of the People's Republic of China* |
| The "Reporting Period" or "Current Period" | Refers to | The period from January 1, 2026 to June 30, 2026 |

# 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) | None | | |
| 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 | Li Kun | 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 |
| Tel. | 0533-5285166 | 0533-5285166 |
| Fax | 0533-5418805 | 0533-5418805 |
| Email address | likun@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 2025 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 2025 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 2026 | H1 2025 | Change (%) |
|---|---|---|---|
| Operating revenue (RMB) | 2,686,067,577.19 | 2,827,110,139.70 | -4.99% |
| Net profit attributable to the listed company's shareholders (RMB) | 253,929,756.96 | 360,215,726.72 | -29.51% |
| Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB) | 117,587,435.64 | 225,615,338.79 | -47.88% |
| Net cash flow from operating activities (RMB) | 262,376,552.48 | 263,993,640.96 | -0.61% |
| EPS-basic (RMB/share) | 0.31 | 0.44 | -29.55% |
| EPS-diluted (RMB/share) | 0.29 | 0.40 | -27.50% |
| Weighted average ROE (%) | 2.55% | 3.75% | -1.20% |
| | June 30, 2026 | December 31, 2025 | Change (%) |
| Total assets (RMB) | 12,359,748,980.40 | 14,106,762,900.07 | -12.38% |
| Equity attributable to the listed company's shareholders (RMB) | 9,878,274,311.96 | 9,811,054,187.05 | 0.69% |

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

### 1. Net Profit and 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) | 86,960,374.41 | |
| 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) | 16,253,060.02 | |
| 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) | 41,178,906.33 | |
| Non-operating income and expense other than the above | 10,598,160.74 | |
| Less: Income tax effects | 17,543,514.96 | |
| Non-controlling interests effects (after tax) | 1,104,665.22 | |
| Total | 136,342,321.32 | |

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

In H1 2026, facing the impact of multiple factors such as the escalation of geopolitical conflicts and weak market demand, China's textile industry continued to leverage the structural resilience of its industrial system, and textile enterprises actively responded to changes in the external situation. During the Reporting Period, combining industry development trends and market changes, and relying on its own competitive advantages, the Company steadily advanced "Improve Quality and Efficiency" and "Overall Internationalization". With the goal of diversifying fabric products and integrating fabrics and apparel, the Company implemented various initiatives such as customer focus, product leadership, efficiency-driven operations, and global operations, and its overall production and operations ran smoothly.

During the Reporting Period, the Company achieved total operating revenue of RMB2.686 billion, operating profit of RMB281 million, net profit attributable to the parent company of RMB254 million, and net profit attributable to the parent company before exceptional gains and losses of RMB118 million, representing year-on-year decreases of 4.99%, 32.83%, 29.51%, and 47.88%, respectively. 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 rated an "AAA Credit Enterprise" by the China Enterprise Confederation and the China Enterprise Directors Association, and was awarded the Shandong Province Private Economy High-Quality Development Outstanding Contribution Award by the Shandong Development and Reform Commission and the Department of Industry and Information Technology of Shandong Province.

i. Adhering to the "customer first" philosophy, the Company carried out customized product research and development around strategic customers and value customers, actively aligned with the cutting-edge needs of the market and customers, and strove to improve the order conversion rate of customized development projects. The Company continuously expanded customer resources and tracked product information and market feedback. Through the professional service team for the integration of fabrics and apparel, the Company promoted efficient collaboration among multiple departments such as marketing, design, R&D, and production, tailored solutions for customers, and steadily increased the business scale of the integration of fabrics and apparel and customer satisfaction.

ii. Focus on product and technology leadership to maintain product competitive advantages.

The Company continued to promote the Lu Thai Production System (LTPS) and "Improve Quality and Efficiency", striving to improve the production efficiency, product quality, and delivery capabilities of its domestic and overseas production bases. Relying on the analysis and judgment of cutting-edge market demands to formulate product development directions, the Company continued to strengthen its R&D capabilities. During the Reporting Period, the Company was granted a total of 18 patents, including 14 invention patents and 4 utility model patents. By consolidating its core competitive advantages through stable product quality and R&D investment, the Company promoted a diversified product layout, maintained its advantageous position in the global shirting fabric industry, and strove to build itself into a global green and fashion textile and apparel industry group with leading fabrics at its core.

iii. Adhere to internal and external collaborative management to continuously improve the international layout.

The Company accelerated the construction of a domestic and overseas collaborative manufacturing system, promoted the supporting overseas production capacity across the entire industry chain of yarns, fabrics, and garments, and continuously improved its global supply chain layout. It steadily optimized the production capacity structure of its overseas production bases, deepened multi-level international industrial cooperation, continuously enhanced the global brand influence of its products, and strove to build a more resilient and efficient global industrial system.

iv. Improve the corporate culture system to build a continuous learning organization.

Actively responding to changes in the international political and economic situation and market challenges, the Company deeply cultivated the culture of a learning organization. With "hard work as the foundation, inheritance of craftsmanship, and social responsibility" as the core, it further unified thoughts, gathered strength, and boosted employee confidence. Focusing on business areas such as "Improve Quality and Efficiency", product innovation, market expansion, brand building, green and low-carbon development, and work safety, the Company continuously improved its business capabilities and professional skills to proactively adapt to changes in the internal and external environments.

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 2026, China's textile industry withstood pressures and overcame difficulties, maintaining generally stable economic operation. According to data from the General Administration of Customs, denominated in RMB, China's textile and apparel exports from January to June reached RMB1.01 trillion, a year-on-year decrease of 2.2%, indicating generally stable operation. Looking ahead to the second half of the year, although weak market demand and a volatile trade environment will put certain pressure on stabilizing the scale and optimizing the structure of textile and apparel exports, China's textile and apparel industry chain system is complete. With the continuous burst of innovation vitality in the industry and the expansion of a diversified layout in the international market, it still possesses solid and long-term competitive advantages in the international market. Facing various risks and challenges, textile and apparel enterprises need to continuously optimize their product and market structures, solidly promote high-end, intelligent, green, and integrated transformation and upgrading, and continuously enhance the industry's risk resistance and development resilience, so as to promote the stable operation and achieve high-quality development of the textile industry.

**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 shirting fabrics. The Company has established industrial bases, design institutions, and market service institutions with sound supporting facilities at home and abroad. By integrating and allocating international resources and leveraging the advantages of its international industrial layout, the Company continuously consolidated its leading position in the production of mid-to-high-end shirting fabrics.

2. The company has better integrated management capability and a 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 and 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 achievements in its operating management, better improve the Company's business performance and capabilities, the Company has introduced the GB/T 19580 *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. The Company always insists on the independent innovation by relying on technological platforms such as the National Enterprise Technical Centre, National Industrial Design Centre, National Post-doctoral Scientific Research Station, and Shandong Provincial key laboratories. It has established long-term technical cooperation and joint product development with research institutions, universities, strategic customers, and key suppliers. The Company focuses on both frontier technology reserves and application technology innovation, continuously strengthening new product development driven by commercial value realization. It gradually enhances its capabilities in technological research and product integration development, consistently contributing more green, low-carbon, and sustainable new technologies and high-quality products to the industry, thus achieving low-carbon, green, and circular 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 2026 | H1 2025 | Year-on-year change (%) | Main reason for change |
|---|---|---|---|---|
| Operating revenue | 2,686,067,577.19 | 2,827,110,139.70 | -4.99% | |
| Cost of sales | 2,074,860,173.08 | 2,168,474,896.26 | -4.32% | |
| Selling expense | 67,616,713.85 | 69,698,089.77 | -2.99% | |
| Administrative expense | 164,389,279.21 | 162,947,077.39 | 0.89% | |
| Financial expenses | 79,974,502.20 | -7,802,571.11 | 1,124.98% | Primarily due to the impact of net exchange losses. |
| Income tax expense | 40,280,360.62 | 56,505,920.02 | -28.71% | |
| R&D investments | 82,599,598.53 | 100,446,619.98 | -17.77% | |

| | | | | |
|---|---|---|---|---|
| Net cash flow from operating activities | 262,376,552.48 | 263,993,640.96 | -0.61% | |
| Net cash generated from/used in investing activities | 808,239,160.11 | 3,304,744.78 | 24,356.93% | Primarily due to the recovery of matured wealth management products. |
| Net cash generated from/used in financing activities | -1,847,423,304.31 | -195,993,183.24 | -842.60% | Primarily due to the repayment of matured bonds payable. |
| Net increase in cash and cash equivalents | -794,432,986.38 | 98,632,380.99 | -905.45% | Primarily due to the repayment of matured bonds payable. |

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 2026 | | H1 2025 | | Year-on-year change (%) |
|---|---|---|---|---|---|
| | Amount | As % of total operating revenue (%) | Amount | As % of total operating revenue (%) | |
| Total operating revenue | 2,686,067,577.19 | 100% | 2,827,110,139.70 | 100% | -4.99% |
| By operating division | | | | | |
| Textile and apparel | 2,495,337,767.74 | 92.90% | 2,622,625,528.96 | 92.77% | -4.85% |
| Electricity and steam | 117,123,551.91 | 4.36% | 138,968,395.26 | 4.92% | -15.72% |
| Other | 73,606,257.54 | 2.74% | 65,516,215.48 | 2.32% | 12.35% |
| By product category | | | | | |
| Fabric products | 1,797,720,702.82 | 66.93% | 1,850,500,289.50 | 65.46% | 2.38% |
| Shirts | 697,617,064.92 | 25.97% | 772,125,239.46 | 27.31% | -9.65% |

| | | | | | |
|---|---|---|---|---|---|
| Electricity and steam | 117,123,551.91 | 4.36% | 138,968,395.26 | 4.92% | -15.72% |
| Other | 73,606,257.54 | 2.74% | 65,516,215.48 | 2.32% | 12.35% |
| By operating segment | | | | | |
| Japan and South Korea | 183,646,730.87 | 6.84% | 190,375,773.38 | 6.73% | -3.53% |
| Southeast Asia | 824,443,506.09 | 30.69% | 803,591,068.14 | 28.42% | 2.59% |
| Europe and America | 443,352,781.73 | 16.51% | 452,786,828.59 | 16.02% | -2.08% |
| Other | 323,994,602.58 | 12.06% | 394,177,816.29 | 13.94% | -17.80% |
| China | 910,629,955.92 | 33.90% | 986,178,653.30 | 34.88% | -7.66% |

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 | 2,495,337,767.74 | 1,902,816,873.17 | 23.75% | -4.85% | -4.49% | -0.29% |
| By product category | | | | | | |
| Fabric products | 1,797,720,702.82 | 1,364,998,400.77 | 24.07% | 2.38% | -2.81% | -0.04% |
| Shirts | 697,617,064.92 | 537,818,472.40 | 22.91% | -9.65% | -8.51% | -0.96% |
| By operating segment | | | | | | |
| Southeast Asia | 824,443,506.09 | 626,859,376.20 | 23.97% | 2.59% | 2.74% | -0.10% |

| | | | | | | |
|---|---|---|---|---|---|---|
| Europe and America | 443,352,781.73 | 340,696,738.98 | 23.15% | -2.08% | -1.05% | -0.81% |
| China | 910,629,955.92 | 719,707,511.88 | 20.97% | -7.66% | -6.52% | -0.96% |

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 2026 | H1 2025 |
|---|---|---|---|
| Fabric | Total capacity (10,000 meters) | 13,368 | 13,926.71 |
| | Rate of capacity utilization | 74% | 72% |
| Apparel | Total capacity (10,000 standard pieces) | 1,186.00 | 1,359.00 |
| | Rate of capacity utilization | 89% | 95% |

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

□ Yes √ No

Overseas capacity

√ Yes □ No

| Industry classification | Item | Domestic | Overseas |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Fabric | Percentage of capacity | 67% | 33% |
| | Capacity layout | Mainly in Shandong Province | Mainly in Vietnam |
| | Rate of capacity utilization | 69% | 84% |
| Apparel | Percentage of capacity | 29% | 71% |
| | Capacity layout | Mainly in Shandong Province | Mainly in Vietnam, Cambodia, and Myanmar |
| | Rate of capacity utilization | 94% | 88% |

The Company's future overseas capacity expansion plans

During the Reporting Period, relevant overseas subsidiaries invested in the construction of garment processing projects, which are currently in the infrastructure construction stage.

**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. It opened self-operated specialty stores such as Luthai Exhibition Hall, collaborated with shopping malls to set up joint-operation counters, and simultaneously made efforts in online marketing to expand its business footprint across all channels. In addition, it provides "premium customization" for shirts and custom-made services for professional wear, accurately meeting the diverse needs of the high-end service industry.

b. Sales channels:

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 and expanded the product offerings of the "Luthai 1987" brand to continuously meet the diverse needs of end customers.

In order to adapt to the digital consumption trend, the company actively expands the construction of online sales channels, building a diversified online ecosystem of "owned platform + leading e-commerce". On one hand, by leveraging its own e-commerce platform, the Company deeply integrates core resources such as supply chain management and brand marketing to achieve direct engagement between the brand and consumers, improving user reach and service experience. On the other hand, the Company has deepened cooperation with well-known e-commerce platforms to broaden brand visibility and product sales access points. The online channel took the "Luthai Jianxing" as the core brand, targeting the casual consumption needs of younger consumers and creating lightweight apparel products suited to everyday wear and travel scenarios. 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 | 3,679,598.09 | 1,787,851.88 | 51.41% | 390.98% | 354.80% | 3.86% |
| Direct sales | 1,802,063,851.92 | 1,366,328,107.94 | 24.18% | -2.87% | -2.82% | -0.04% |
| OEM/ODM | 689,594,317.73 | 534,700,913.35 | 22.46% | -10.04% | -8.74% | -1.10% |
| Total | 2,495,337,767.74 | 1,902,816,873.17 | 23.75% | -4.85% | -4.49% | -0.29% |

### 3. Selling Expense and Breakdown Thereof

| Item | H1 2026 | H1 2025 | Amount of change | Percentage of change | Note |
|---|---|---|---|---|---|
| Salaries | 31,196,715.19 | 32,470,002.40 | -1,273,287.21 | -3.92% | |
| Marketing expense | 20,956,938.12 | 16,455,458.63 | 4,501,479.49 | 27.36% | |
| Depreciation charges | 2,064,707.92 | 2,417,716.59 | -353,008.67 | -14.60% | |
| Business travel expenses | 3,153,666.05 | 3,481,536.38 | -327,870.33 | -9.42% | |
| Office operating fee | 6,026,548.51 | 9,776,313.03 | -3,749,764.52 | -38.36% | Due to the year-on-year decrease in repair material consumption expenses |
| Other | 4,218,138.06 | 5,097,062.74 | -878,924.68 | -17.24% | |
| Total | 67,616,713.85 | 69,698,089.77 | -2,081,375.92 | -2.99% | |

### 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 | 145,000 |
| Average number of active monthly users (AMU) | 2,800 |
| Return rate of main brands | 2.70% |
| Return rate of main types | 2.70% |

Cooperation with third-party sales platforms

☑ Yes □ No

Online sales channels opened or closed by the Company

□ Applicable ☑ Not applicable

### 6. Agency Operation Model

Agency operation model involved

□ Yes ☑ No

### 7. Inventory

Inventory

| Main products | Days of turnover of inventories | Quantity of inventory | Inventory age | Year-on-year change in inventory balance | Reason |
|---|---|---|---|---|---|
| Fabrics (10,000 meters) | 80 | 2,990.89 | Within one year | -4.21% | |
| Fabrics (10,000 meters) | | 812.66 | Over one year | -4.83% | |

| | | | | | |
|---|---|---|---|---|---|
| Shirts (10,000 pieces) | 26 | 101.20 | Within one year | -27.21% | Equity in subsidiaries was sold, and the relevant assets are no longer included in the scope of consolidation. |
| Shirts (10,000 pieces) | | 21.05 | Over 1 year | 25.98% | Increase in store inventory. |

Reserves for falling prices of inventory

| Item | Ending balance as of June 30, 2026 | | |
|---|---|---|---|
| | Book balance (RMB) | Provision for decline in value/Provision for impairment of contract fulfillment costs (RMB) | Carrying amount (RMB) |
| Raw materials | 1,049,818,533.16 | 55,625,153.79 | 994,193,379.37 |
| Work-in-progress | 486,417,876.76 | 6,030,001.01 | 480,387,875.75 |
| Inventory goods | 850,291,879.45 | 174,835,370.93 | 675,456,508.52 |
| Commissioned products | 17,261,748.05 | | 17,261,748.05 |
| Total | 2,403,790,037.42 | 236,490,525.73 | 2,167,299,511.69 |

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 | Luthai | Shirts and | Business | Business | RMB500- | East China, | Provincial |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1987 | 1987 | suits | classic casual | elite men | 3000 | South China and Southwest China | capital cities and other prefecture-level cities |
| Luthai Jianxing | Luthai Jianxing | Shirts, POLO | Daily casual | Young people | RMB300-800 | Nationwide | Provincial capital cities and other prefecture-level cities |

Trademark right disputes

□ Applicable ☑ Not applicable

9. Other

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 | 127,463,981.67 | 43.74% | Gains from disposal of equity interests, etc. | No |
| Gain/loss on changes in fair value | 1,826,891.00 | 0.63% | Gains or losses on changes in fair value of financial assets and liabilities | No |
| Asset impairments | -34,299,749.87 | -11.77% | Provision for decline in value of inventories and impairment of fixed assets made in the current period | No |
| Non-operating income | 11,394,876.65 | 3.91% | Income of non-operating compensation, etc. | No |
| Non-operating expense | 1,173,625.92 | 0.40% | Donation expenses, etc. | No |

## VI Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB

| | June 30, 2026 | | December 31, 2025 | | Change in percentage (%) | Reason for any significant change |
|---|---|---|---|---|---|---|
| | Amount | As % of total assets | Amount | As % of total assets | | |
| Monetary capitals | 1,623,050,476.24 | 13.13% | 2,396,851,459.72 | 16.99% | -3.86% | |
| Accounts receivable | 779,346,857.77 | 6.31% | 889,743,214.62 | 6.31% | 0.00% | |
| Inventories | 2,167,299,511.69 | 17.54% | 2,107,300,004.83 | 14.94% | 2.60% | |
| Investment property | 17,321,570.18 | 0.14% | 17,772,891.33 | 0.13% | 0.01% | |
| Long-term equity investments | 219,421,484.28 | 1.78% | 99,877,917.52 | 0.71% | 1.07% | |
| Fixed assets | 5,382,641,342.07 | 43.55% | 5,705,325,739.27 | 40.44% | 3.11% | |
| Construction in progress | 152,373,900.56 | 1.23% | 90,157,178.55 | 0.64% | 0.59% | |
| Right-of-use assets | 400,081,077.92 | 3.24% | 437,366,025.27 | 3.10% | 0.14% | |
| Short-term loans | 490,474,659.40 | 3.97% | 652,836,872.89 | 4.63% | -0.66% | |
| Contract liabilities | 161,616,556.99 | 1.31% | 178,735,140.23 | 1.27% | 0.04% | |
| Long-term borrowings | 169,731,200.07 | 1.37% | 247,912,723.61 | 1.76% | -0.39% | |
| Lease liabilities | 67,995,800.21 | 0.55% | 74,159,267.26 | 0.53% | 0.02% | |

### 2. Major Assets Overseas

☑ Applicable □ Not applicable

| Asset | Source | Asset value (RMB) | Location | Operation model | Control measures to protect asset | Return generated | As % of the Company’s | Material impairment risk |
|---|---|---|---|---|---|---|---|---|

| | | | | | safety | (RMB) | net assets | (yes/no) |
|---|---|---|---|---|---|---|---|---|
| Lu Thai (Hong Kong) | Incorporated | 255,174,143.52 | Hong Kong | Marketing | Main management personnel sent by the parent company | 10,920,804.32 | 2.50% | No |
| Overseas production bases | Incorporated | 4,490,065,457.30 | Southeast Asia | Manufacturing | Main management personnel sent by the parent company | 168,075,541.09 | 44.04% | No |

## 3. Assets and Liabilities at Fair Value

☑ Applicable □ Not applicable

Unit: RMB

| Item | Beginning amount | Gain/loss on fair-value changes in the Reporting Period | Cumulative fair-value changes 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) | 1,093,421,988.15 | 3,145,467.40 | | | 6,491,799,031.97 | 6,898,422,488.08 | | 689,943,999.44 |
| 2. Derivative financial assets | 645,603.16 | 1,144,584.23 | | | | | | 1,790,187.39 |
| 5. Other non-current financial assets | 88,360,000.00 | | | | | | | 88,360,000.00 |
| Subtotal of financial assets | 1,182,427,591.31 | 4,290,051.63 | | | 6,491,799,031.97 | 6,898,422,488.08 | | 780,094,186.83 |
| Other | 10,335,302.96 | | -20,842.92 | | | | -5,620,315.18 | 4,694,144.86 |
| Total of the above | 1,192,762,894.27 | 4,290,051.63 | -20,842.92 | | 6,491,799,031.97 | 6,898,422,488.08 | -5,620,315.18 | 784,788,331.69 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Financial liabilities | 0.00 | -2,463,160.63 | | | | | | 2,463,160.63 |

Content of other change:

Due to the change in the amount of 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**

See "Part VIII Financial Statements, VII7. Notes to Main Items of Consolidated Financial Statements, 21. Assets with Restricted Ownership or Right to Use".

## 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 10,000

| Type of derivative | Initial investment amount | Beginning amount | Gain/loss on fair-value changes in the Reporting Period | Cumulative fair-value changes recorded in equity | Purchased in the Reporting Period | Sold in the Reporting Period | Ending amount | Proportion of closing investment amount in the Company's ending net assets |
|---|---|---|---|---|---|---|---|---|
| Foreign exchange option | 0 | 47,950 | -156.5 | 0 | 179,735 | 0 | 227,685 | 23.05% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Forward foreign exchange settlement | 0 | 0 | 51.29 | 0 | 20,718.37 | 0 | 20,718.37 | 2.10% |
| Forward foreign exchange purchase | 0 | 0 | 0 | 0 | 13,508 | 13,508 | 0 | 0.00% |
| Total | 0 | 47,950 | -105.21 | 0 | 213,961.37 | 13,508 | 248,403.37 | 25.15% |
| 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 | From January to June 2026, the amount of the Company's matured financial derivatives totaled the equivalent of USD20 million, all of which were executed according to the contracts, with USD20 million delivered and a gain of RMB1,254,000. | | | | | | | |
| 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 | Own funds. | | | | | | | |
| Analysis on risks | The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by | | | | | | | |

| | |
|---|---|
| and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.) | 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, internal control risk and risk of laws and regulation.<br><br>1. Market risk: When domestic and international political and economic situations change, corresponding market price fluctuations such as exchange rates and interest rates may have an adverse impact on the derivative transactions of the Company.<br><br>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.<br><br>2. Liquidity risk and credit risk: If the Company or the counterparty fails to perform the contract as stipulated upon maturity due to liquidity or other factors, credit risk will arise, which will in turn cause economic losses to the Company.<br><br>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.<br><br>3. Internal control risk: 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.<br><br>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.<br><br>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.<br><br>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.<br><br>The Company has fulfilled relevant approval procedures for its derivative transactions business, which is in line with the relevant national laws, regulations, the *Articles of Association*, the *Management Policy for Investments in Securities and Derivative Transactions of Lu Thai Textile Co., Ltd.*, the *Proposal on the Company's Derivative Transaction Plan* deliberated and adopted at the 33rd meeting of the 10th session of the Board of Directors held on May 23, 2025 and the first extraordinary shareholders' meeting held on June 9, 2025, and fulfilled the relevant information disclosure obligations. |
| Changes of market prices or fair values in the | In accordance with the relevant provisions and guidelines of the *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and the *Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments* issued by the Ministry of Finance, the Company took the relevant accounting measures for its business of FX derivative transactions to reflect |

| | |
|---|---|
| Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters. | the relevant 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. |
| Lawsuit (if applicable) | None. |
| Disclosure date of board of directors announcement on approval of derivative investment (if any) | May 24, 2025 |
| Disclosure date of the shareholders' meeting announcement on the approval of derivative investments (if any) | June 10, 2025 |

**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

| Counterparty | Equity interests sold | Date of sale | Transaction price (RMB10,000) | Net profit contributed by the equity interest to the listed company from the beginning of the current period to the date of sale (RMB10,000) | Impact of the sale on the Company | Proportion of net profit contributed by the sale of equity interest to the total net profit of the listed company | Pricing principle of the sale of the equity interest | Whether it is a related-party transaction | Related party relationship with the counterparty | Whether the equity interest involved has been fully transferred | Whether it was implemented on schedule as planned; if not implemented as planned, the reasons and the measures taken by the Company shall be explained | Disclosure date | Disclosure index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MORROW FASHION SAS and FAST RETAILING CO., LTD | Transfer of 23.06% equity interest in Tianqin International Investment Co., Ltd. to each transferee respectively | April 30, 2026 | 10,012 | 9,649.56 | 1. The sale of partial equity interest in its wholly-owned subsidiary Tianqin International by Lulian New Materials Co., Ltd., a controlled subsidiary of the Company, can further | 38.43% | Based on the actual asset and liability status of Tianqin International, and with reference to the valuation report on the net assets of Tianqin International issued by China United | No | No | Yes | Yes | January 27, 2026 | For details, please refer to the *Announcement on the Transfer of Partial Equity of a Wholly-owned Subsidiary by a Holding Subsidiary* (Announcement No.: 2026-005) and the *Progress Announcement on the Transfer of Partial Equity of a Wholly-owned* |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | strengthen upstream and downstream collaboration in the industrial chain, deepen cooperation with strategic customers in business, marketing, and other aspects, and achieve mutual development.<br><br>2. Upon completion of the transaction, Tianqin International and its subsidiaries will no longer be included in the scope of the Company's consolidated financial statements, and the accounting method for this equity investment will be changed from the cost method to the equity method. This transaction has no material impact on the main business of the Company. | | Assets Appraisal Group Co., Ltd., the valuation of the net assets of Tianqin International was calculated based on the asset-based approach, and the transaction price was determined through fair negotiations among the transaction parties. | | | | | | *Subsidiary by a Holding Subsidiary* (Announcement No.: 2026-023) disclosed by the Company on www.cninfo.com.cn on January 27, 2026 and May 9, 2026. |

## 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: RMB10,000

| Name | Relationship with the Company | Principal activity | Registered capital | Total assets | Net assets | Operating revenue | Operating profit | Net profit |
|---|---|---|---|---|---|---|---|---|
| LuFeng Company Limited | Subsidiary | Fabric | 70,616 | 148,719.63 | 127,136.58 | 41,708.37 | -838.92 | -994.65 |
| Shandong Lulian New Materials Co., Ltd. | Subsidiary | Fabric | 90,000 | 75,145.04 | 58,282.22 | 8,081.64 | 5,133.87 | 4,650.37 |

Subsidiaries obtained or disposed in the Reporting Period:

□ Applicable ☑ Not applicable

Information about major majority- and minority-owned subsidiaries:

LuFeng Company Limited is a holding subsidiary of the Company. It is registered in Zibo, Shandong, with a registered capital of RMB706.16 million. It is mainly engaged in the production and sales of textile printing and dyeing products as well as apparel and accessories. During the Reporting Period, net profit decreased year-on-year, mainly due to the impact of changes in order structure and market demand.

Shandong Lulian New Materials Co., Ltd. is the wholly-owned subsidiary of the Company. It is registered in Zibo, Shandong, with a registered capital of RMB900 million. It is mainly engaged in manufacturing and selling functional fabrics. During the Reporting Period, net profit increased year-on-year, mainly due to the impact of its transfer of subsidiary equity and an increase in order volume.

## X Structured Bodies Controlled by the Company

☑ Applicable □ Not applicable

See Part VIII "Financial Statements, X. Equity in Other Entities" in this Report for relevant details.

## 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. Relying on its global industrial layout and vertical industry chain advantages, the Company will coordinate various domestic and foreign resources, continuously explore domestic and overseas markets, and actively respond to the pressure brought by fluctuations in the external environment.

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 normal, with a continuous 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 actively 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* and other relevant regulations, the Company, in line with its industry position, development strategy, and business plans, 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.

During the Reporting period, the Company actively responded to the severe challenges of a complex and volatile international landscape and weak demand. Through optimizing resource allocation, asset utilization efficiency was improved. The marketing structure was streamlined and optimized, domestic and overseas markets were actively developed, and the major customer strategy and R&D reform and innovation were advanced. The Company continued to deepen "Improve Quality and Efficiency" and "Overall Internationalization", and on the basis of continuously promoting new formal wear products, actively expanded the development and marketing of casual and light business product categories. The Company actively promoted in-depth cooperation with downstream brand enterprises, adjusting its asset structure to enhance customer stickiness and expand business opportunities in integrated fabric-and-apparel services. During the Reporting Period, the Company implemented cash dividend distributions for the full year 2025, providing stable investment returns to investors. The Company continuously improved the quality of its information disclosure, and published its 2025 ESG Report, disclosing its annual performance in fulfilling social responsibilities, and received recognition and commendation from customers, suppliers, and other stakeholders. In accordance with its existing valuation enhancement plan, the Company will continue to focus on its core business, drive development through innovation, advance its comprehensive internationalization strategy, continuously increase product value-added and competitiveness, place sustained emphasis on investor returns, and strengthen communication and engagement with investors, so as to enhance investor recognition of the Company’s core value and rive a recovery in its market value.

**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 Changes in Directors and Senior Executives of the Company

□ Applicable ☑ Not applicable

There were no changes in the directors and senior executives of the Company during the Reporting Period. For details, please refer to the 2025 Annual Report.

## II Interim Dividend Plan

☑ Applicable □ Not applicable

| | |
|---|---|
| Bonus shares for every 10 shares (share) | 0 |
| Dividend for every 10 shares (RMB) (tax inclusive) | 1.00 |
| Total shares as the basis for the profit distribution proposal (share) | 817525607 |
| Cash dividends (RMB) (tax inclusive) | 81,752,560.70 |
| Cash dividends in other forms (such as share repurchase) (RMB) | 0.00 |
| Total cash dividends (including those in other forms) (RMB) | 81752560.70 |
| Distributable profit (RMB) | 6,136,500,508.99 |
| 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 817,525,607 shares. The total amount of proposed dividends calculated on this basis is RMB81,752,560.70. The personal income tax for A Share shall be subject to related regulations under C.SH. [2015] No. 101 *Notice on Certain Question about the Differentiated Personal Income Tax Policy for Cash Dividend of Listed Companies* jointly issued by the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission. The personal income tax for B Share shall be conversed to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the first working day following the resolution of the Board of Directors (for domestic individual shareholders, tax is paid pursuant to C.SH. [2015] No. 101; for foreign shareholders, tax is free pursuant to C.SH.Z. (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). From the disclosure date of this profit distribution plan to the record date for the implementation of the equity distribution, if the total share capital of the Company changes, the distribution amount per share shall remain unchanged. The above distribution plan complies with the provisions of the Articles of Association and the deliberation procedures. | |

## 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

The Company did not experience any environmental accidents.

**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;<br>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.<br>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 | May 23, 2019 to April 8, 2026 | Completed |
| 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;<br>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;<br>3. Commitment is made not to use the Company's assets to engage in investment and consumption | May 23, 2019 | May 23, 2019 to April 8, 2026 | Completed |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | activities unrelated to the performance of duties;<br>4. Commitment is made that the remuneration system developed by the Board of Directors or the Remuneration Committee is linked to the implementation of the Company's remedial measures for returns;<br>5. Commitment is made that the conditions for exercising the Equity Incentive Plan to be issued in the future will be linked to the implementation of the Company's remedial measures for returns;<br>6. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC;<br>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. | | | |
| 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 Explanation of the Board of Directors on the “Non-standard Audit Report” of the Accounting Firm during 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

| Basic information of the litigation (arbitration) | Amount involved (RMB10,000) | Whether a provision is formed | Progress of the litigation (arbitration) | Trial results and impact of the litigation (arbitration) | Execution of the judgment of the litigation (arbitration) | Disclosure date | Disclosure index |
|---|---|---|---|---|---|---|---|
| Other litigations of the Company not meeting the disclosure standards for material litigations | 37.73 | No | Under trial | No material impact on the Company | N/A | N/A | N/A |

## 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

Whether there are non-operating related party creditor’s rights and debts

□ Yes ☑ No

The Company had no non-operating credits and liabilities with related parties during 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: RMB10,000

| Guarantees provided by the Company as the parent and its subsidiaries for external parties (exclusive of those for subsidiaries) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Obligor | Guarantee limit disclosure date | Guarantee limit | Actual occurrence date | Actual guarantee amount | Type of guarantee | Collateral (if any) | Counter-guarantee (if any) | Guarantee period | Fulfilled (yes/no) | Guarantee for a related party or not |
| Guarantees provided by the Company for its subsidiaries | | | | | | | | | | |
| Obligor | Guarantee limit disclosure date | Guarantee limit | Actual occurrence date | Actual guarantee amount | Type of guarantee | Collateral (if any) | Counter-guarantee (if any) | Guarantee period | Fulfilled (yes/no) | Guarantee for a related party or not |
| Wholly-owned subsidiary | July 1, 2023 | 6,810.9 | June 30, 2023 | 0 | Joint-liability | N/A | N/A | Three years since the approval of the Board of Directors of the Company | Yes | No |

<table>
<tr><th colspan="11">Guarantees provided between subsidiaries</th></tr>
<tr><th>Obligor</th><th>Guarantee limit disclosure date</th><th>Guarantee limit</th><th>Actual occurrence date</th><th>Actual guarantee amount</th><th>Type of guarantee</th><th>Collateral (if any)</th><th>Counter-guarantee (if any)</th><th>Guarantee period</th><th>Fulfilled (yes/no)</th><th>Guarantee for a related party or not</th></tr>
<tr><td>Wholly-owned subsidiary</td><td>July 9, 2024</td><td>23,838.15</td><td>July 6, 2024</td><td>243.08</td><td>Joint-liability</td><td>N/A</td><td>N/A</td><td>Three years since the approval of the Board of Directors of the Company</td><td>No</td><td>No</td></tr>
<tr><td>Wholly-owned subsidiary</td><td>August 30, 2024</td><td>20,432.7</td><td>August 28, 2024</td><td>1,843.16</td><td>Joint-liability</td><td>N/A</td><td>N/A</td><td>Three years since the approval of the Board of Directors of the Company</td><td>No</td><td>No</td></tr>
<tr><td colspan="2">Total approved guarantee limit in the Reporting Period (C1)</td><td colspan="2">0</td><td colspan="2">Total actual amount of such guarantees in the Reporting Period (C2)</td><td colspan="5">5,631.11</td></tr>
<tr><td colspan="2">Total approved guarantee limit at the end of the Reporting Period (C3)</td><td colspan="2">44,270.85</td><td colspan="2">Total guarantee balance to subsidiaries at the end of the Reporting Period (C4)</td><td colspan="5">2,086.24</td></tr>
<tr><th colspan="11">Total guarantee amount (total of the three kinds of guarantees above)</th></tr>
<tr><td colspan="2">Total approved guarantee limit in the Reporting Period (A1+B1+C1)</td><td colspan="2">0</td><td colspan="2">Total actual guarantee amount in the Reporting Period (A2+B2+C2)</td><td colspan="5">5,631.11</td></tr>
<tr><td colspan="2">Total approved guarantee limit at the end of the Reporting Period (A3+B3+C3)</td><td colspan="2">44,270.85</td><td colspan="2">Total guarantee balance at the end of the Reporting Period (A4+B4+C4)</td><td colspan="5">2,086.24</td></tr>
<tr><td colspan="4">Total guarantee balance (i.e., A4+B4+C4) as % of the Company’s net assets</td><td colspan="7">0.21%</td></tr>
<tr><td colspan="11">Of which:</td></tr>
<tr><td colspan="4">Balance of guarantees provided for shareholders, actual controller and their related parties (D)</td><td colspan="7">0</td></tr>
<tr><td colspan="4">Balance of debt guarantees provided directly or indirectly for obligors with an over 70% asset-liability ratio (E)</td><td colspan="7">0</td></tr>
<tr><td colspan="4">Amount by which the total guarantee amount exceeds 50% of the Company’s net assets (F)</td><td colspan="7">0</td></tr>
</table>

| | |
|---|---|
| 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) | None |
| Explanation about external guarantee violating established procedure (if any) | None |

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: RMB10,000

| Product category | Risk characteristics | Balance of entrusted wealth management during the Reporting Period | Overdue amount (RMB) |
|---|---|---|---|
| Bank wealth management products | Low risk, capital-preserving | 20,250 | 0 |
| Others | Low risk, capital-preserving | 5,546.8 | 0 |
| Private equity fund products | R5 | 38,224.51 | 0 |

Circumstances where the Company acts as the sole entrust or and entrusts financial institutions to manage assets, or where investments are made in high-risk entrusted wealth management products with low security and poor liquidity

☑ Applicable □ Not applicable

Unit: RMB10,000

| Name of trustee institution (or name of trustee) | Type of trustee institution (or trustee) | Risk characteristics | Product type | Amount | Start date | End date | Investment direction of funds | Actual profit or loss amount for the Reporting Period | Actual recovery of profit or loss for the Reporting Period | Overview of the matter and related inquiry index (if any) |
|---|---|---|---|---|---|---|---|---|---|---|
| Beijing Yuanhui Investment Management Co., Ltd. | Private equity fund manager | R5 | Privately offered security fund | 38,224.51 | April 11, 2022 | April 10, 2037 | Other | 2,072.65 | 224.51 | As approved by the 32nd meeting of the Ninth Board of Directors and the 5th meeting of the Tenth Board of Directors, the Company made cumulative investments of RMB400 million in the Yuanhui Dividend No. 2 Open-Ended Private Securities Investment Fund (contractual type). For details, please refer to the *Announcement of Lu Thai Textile Co., Ltd. on the Subscription of Private Securities Investment Fund Units* disclosed on cninfo.com.cn on April 29, 2022, and February 14, 2023 (announcement numbers: 2022-025 and 2023-008). |
| Total | | | | 38,224.51 | -- | -- | -- | 2,072.65 | -- | -- |

## 4. Other Major Contracts

□ Applicable ☑ Not applicable

No such cases in the Reporting Period.

## XIII 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 17, 2026 | The Company's conference room | By phone | Institution | Institutional investor | Company profile | *Investor Relations Management Information 20260417* disclosed on www.cninfo.com.cn by the Company on April 17, 2026 |
| April 30, 2026 | The Company's conference room | By phone | Institution | Institutional investor | Company profile | *Investor Relations Management Information 20260430* disclosed on www.cninfo.com.cn by the Company on April 30, 2026 |
| May 12, 2026 | The Company's conference room | Online exchange | Other | Investor | Company profile | *Investor Relations Management Archive 20260512* disclosed on www.cninfo.com.cn by the Company on May 12, 2026 |
| May 15, 2026 | The Company's conference room | Online exchange | Other | Investor | Company profile | *Investor Relations Management Archive 20260515* disclosed on www.cninfo.com.cn by the Company on May 15, 2026 |

## XIV Other Significant Events

☐□ Applicable ☑ Not applicable

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

## XV 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 | Other | Subtotal | Number | Percentage (%) |
| I. Restricted shares | 2,110,792 | 0.26% | | | | | | 2,110,792 | 0.26% |
| 1. Shares held by State | | | | | | | | | |
| 2. Shares held by state-owned legal person | | | | | | | | | |
| 3. Shares held by other domestic investors | 2,110,792 | 0.26% | | | | | | 2,110,792 | 0.26% |
| Among which: Shares held by domestic legal person | | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Shares held by domestic natural person | 2,110,792 | 0.26% | | | | | | 2,110,792 | 0.26% |
| 4. Shares held by other foreign investors | | | | | | | | | |
| Among which: Shares held by foreign legal person | | | | | | | | | |
| Shares held by foreign natural person | | | | | | | | | |
| II. Unrestricted shares | 815,196,128 | 99.74% | | | | 218,687 | 218,687 | 815,414,815 | 99.74% |
| 1. RMB ordinary shares | 589,117,788 | 72.08% | | | | 218,687 | 218,687 | 589,336,475 | 72.09% |
| 2. Domestically listed foreign shares | 226,078,340 | 27.66% | | | | | | 226,078,340 | 27.65% |
| 3. Overseas listed foreign shares | | | | | | | | | |
| 4. Other | | | | | | | | | |
| III. Total shares | 817,306,920 | 100.00% | | | | 218,687 | 218,687 | 817,525,607 | 100.00% |

Reasons for share changes:

☑ Applicable □ Not applicable

During the convertible bond conversion period from January 1 to April 8, 2026, the Company's convertible bonds were converted into a total of 218,687 shares.

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

## II Issuance and Listing of Securities

□ Applicable ☑ Not applicable

## III Total Number of Shareholders and Their Shareholdings

Unit: share

| Total number of ordinary shareholders at the period-end | | 45,579 | | Total number of preferred shareholders with resumed voting rights at the period-end (if any) (see Note 8) | | | 0 | |
|---|---|---|---|---|---|---|---|---|
| 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 Textile Co., Ltd. | Foreign legal person | 14.10% | 115,232,400 | 0 | 0 | 115,232,400 | N/A | 0 |
| Yang Sanbao | Domestic natural person | 2.33% | 19,071,000 | 8,051,700 | 0 | 19,071,000 | N/A | 0 |
| National Social Security Fund Portfolio 413 | Other | 2.05% | 16,800,051 | 930,000 | 0 | 16,800,051 | N/A | 0 |
| Wu Yijun | Domestic natural person | 0.91% | 7,459,998 | 41,100 | 0 | 7,459,998 | N/A | 0 |
| China Merchants Prosperity Selected Equity Investment Fund | Other | 0.85% | 6,959,998 | 6,959,998 | 0 | 6,959,998 | 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 | 0 | 0 | 6,024,131 | N/A | 0 |
| Yang Hua | Domestic natural person | 0.56% | 4,607,400 | 33,200 | 0 | 4,607,400 | N/A | 0 |
| Hao Jing | Domestic natural person | 0.53% | 4,335,000 | 0 | 0 | 4,335,000 | N/A | 0 |
| Wang Jun | Domestic natural person | 0.37% | 3,000,091 | 3,000,091 | 0 | 3,000,091 | N/A | 0 |
| Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3) | | None. | | | | | | |
| Related or acting-in-concert parties among the shareholders above | | Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder and the actual controller of the Company. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding tradable A-shares or B-shares. And it is unknown whether there is any related party or acting-in-concert party among them. | | | | | | |
| Explain if any of the shareholders above was involved in entrusting/being entrusted with voting | | None. | | | | | | |

<table>
<tr><td>rights or waiving voting rights</td><td colspan="3"></td></tr>
<tr><td>Special account for share repurchases (if any) among the top 10 shareholders (see note 11)</td><td colspan="3">None.</td></tr>
<tr><td colspan="4">Shareholdings of the top ten non-restricted shareholders (exclusive of shares lent in refinancing and senior management lock-up shares)</td></tr>
<tr><td rowspan="2">Name of the shareholders</td><td rowspan="2">Number of unrestricted shares held at the period-end</td><td colspan="2">Type of shares</td></tr>
<tr><td>Type of shares</td><td>Number</td></tr>
<tr><td>Zibo Lucheng Textile Investment Co., Ltd.</td><td>140,353,583</td><td>RMB ordinary shares</td><td>140,353,583</td></tr>
<tr><td>Tailun Textile Co., Ltd.</td><td>115,232,400</td><td>Domestically listed foreign shares</td><td>115,232,400</td></tr>
<tr><td>Yang Sanbao</td><td>19,071,000</td><td>RMB ordinary shares</td><td>19,071,000</td></tr>
<tr><td>National Social Security Fund Portfolio 413</td><td>16,800,051</td><td>RMB ordinary shares</td><td>16,800,051</td></tr>
<tr><td>Wu Yijun</td><td>7,459,998</td><td>RMB ordinary shares</td><td>7,459,998</td></tr>
<tr><td>China Merchants Prosperity Selected Equity Investment Fund</td><td>6,959,998</td><td>RMB ordinary</td><td>6,959,998</td></tr>
</table>

| | | | |
|---|---|---|---|
| | | shares | |
| 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 |
| Yang Hua | 4,607,400 | RMB ordinary shares | 4,462,600 |
| Yang Hua | 4,607,400 | Domestically listed foreign shares | 144,800 |
| Hao Jing | 4,335,000 | RMB ordinary shares | 4,335,000 |
| Wang Jun | 3,000,091 | RMB ordinary shares | 3,000,091 |
| Explanation on connected relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert | Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder and the actual controller of the Company. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding tradable A-shares or B-shares. And it is unknown whether there is any related party or acting-in-concert party among them. | | |
| Particular about shareholder participate in the securities lending and borrowing business (if any) (note | Yang Sanbao holds 337,900 shares of the Company's stock through a regular securities account and 18,733,100 shares through a securities company's client margin trading collateral account, for a total of 19,071,000 shares; Wu Yijun holds 0 shares of the Company's stock through a regular securities account and 7,459,998 shares through a securities company's client margin trading collateral account, for a total of 7,459,998 shares; Yang Hua holds 152,100 shares of the Company's | | |

| | |
|---|---|
| 4) | stock through a regular securities account and 4,455,300 shares through a securities company's client margin trading collateral securities account, for a total of 4,607,400 shares; Hao Jing holds 30,000 shares of the Company's stock through a regular securities account and 4,305,000 shares through a securities company's client margin trading collateral securities account, for a total holding of 4,335,000 shares. |

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 Changes in Shareholding of Directors and Senior Executives

□ Applicable ☑ Not applicable

There was no change in the shareholdings of the directors and senior executives of the Company during the Reporting Period. For details, please refer to the 2025 Annual Report.

## V Change of the Controlling Shareholder or the Actual Controller

If the Company has previously disclosed that the actual controller is planning a change in control but it has not yet been completed, please explain the progress of the change in control.

□ Applicable ☑ Not applicable

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. [2020] 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

The publicly issued A-share convertible corporate bonds of Lu Thai Textile Co., Ltd. (abbreviated as “LuThai Convertible Bonds”) were fully redeemed on April 9, 2026, and delisted from the Shenzhen Stock Exchange.

### 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 | 1,399,837,000.00 | 1,835,100.00 | 1,398,001,900.00 | | 0.00 |

### 4. Accumulative Conversion

☑ Applicable □ Not applicable

| Name of convertible | Start date | Total circulation | Total amount (RMB) | Accumulative amount converted | Accumulative shares | Converted shares as % of total | Unconverted amount | Unconverted amount as % of total |
|---|---|---|---|---|---|---|---|---|

| bonds | | (piece) | | (RMB) | converted (share) | shares issued by the Company before the start date of conversion | (RMB) | amount |
|---|---|---|---|---|---|---|---|---|
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | From October 15, 2020 to April 8, 2026 | 14,000,000 | 1,400,000,000.00 | 1,995,100.00 | 236,742.00 | 0.03% | 0.00 | 0.00% |

## 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. | N/A |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | 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. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | June 18, 2021 | 8.71 | June 10, 2021 | The Company implemented the 2020 Equity Distribution Plan on June 18, 2021. | |

| | | | | | |
|---|---|---|---|---|---|
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | 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. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | June 23, 2022 | 8.61 | June 16, 2022 | The Company implemented the 2021 Equity Distribution Plan on June 23, 2022. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | 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. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | June 16, 2023 | 8.63 | June 9, 2023 | The Company implemented the 2022 Equity Distribution Plan on June 16, 2023. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | 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. | |
| Public Offering of A-Share Convertible Corporate | June 19, 2024 | 8.74 | June 12, 2024 | The Company implemented the 2023 Equity Distribution Plan on June 19, 2024. | |

| | | | | | |
|---|---|---|---|---|---|
| Bonds of Lu Thai Textile Co., Ltd. in 2020 | | | | | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | November 8, 2024 | 8.64 | November 1, 2024 | The Company implemented the 2024 Interim Equity Distribution Plan on November 8, 2024. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | December 19, 2024 | 8.59 | December 12, 2024 | The Company implemented the 2024 Q3 Equity Distribution Plan on December 19, 2024. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | June 20, 2025 | 8.49 | June 13, 2025 | The Company implemented the 2024 Equity Distribution Plan on June 20, 2025. | |
| Public Offering of A-Share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. in 2020 | October 23, 2025 | 8.39 | October 16, 2025 | The Company implemented the 2025 Semi-annual Equity Distribution Plan on October 23, 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 "LuThai Convertible Bonds" entered the conversion period on October 15, 2020. As of April 8, 2026 (the last conversion date), a cumulative total of 19,951 convertible bonds had been converted into shares of the Company, with a cumulative conversion volume of 236,742 shares. The number of remaining "LuThai Convertible Bond" that was not converted into shares upon maturity was 13,980,019, and the total redemption amount upon maturity was RMB1,551,782,109.00 (including tax and the last installment of interest). The redemption was completed on April 9, 2026, and the "LuThai Convertible Bond" was delisted from the Shenzhen Stock Exchange. For details, please refer to the *Announcement on the Maturity Redemption Results of LuThai Convertible Bonds and Changes in Share Capital* (Announcement No.: 2026-13) disclosed by the Company on the designated information disclosure website CNINFO (www.cninfo.com.cn) on April 10, 2026.

Given that the "LuThai Convertible Bonds" no longer exist, Lianhe Credit Rating Co., Ltd. has terminated the credit rating for the "LuThai Convertible Bonds".

**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: RMB10,000

| Item | June 30, 2026 | December 31, 2025 | Increase/Decrease |
|---|---|---|---|
| Current ratio | 3.41 | 1.99 | 71.36% |
| Asset-liability ratio | 17.52% | 28.19% | -10.67% |
| Quick ratio | 2.06 | 1.36 | 51.47% |
| | H1 2026 | H1 2025 | Change (%) |
| Net profit after deducting non-recurring profit or loss | 11,758.74 | 22,561.53 | -47.88% |
| Debt/EBITDA ratio | 54.47% | 27.07% | 27.40% |
| Interest cover (times) | 8.69 | 10.00 | -13.10% |
| Cash-to-interest cover (times) | 8.34 | 6.78 | 23.01% |
| EBITDA interest coverage ratio (times) | 15.21 | 15.60 | -2.50% |
| 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, 2026

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Current assets: | | |
| Monetary capitals | 1,623,050,476.24 | 2,396,851,459.72 |
| Held-for-trading financial assets | 691,734,186.83 | 1,094,067,591.31 |
| Derivative financial assets | | |
| Notes receivable | 46,029,362.65 | 37,500,667.56 |
| Accounts receivable | 779,346,857.77 | 889,743,214.62 |
| Receivables financing | 4,694,144.86 | 10,335,302.96 |
| Prepayments | 105,240,860.90 | 70,233,122.96 |
| Other receivables | 38,264,118.46 | 35,452,183.40 |
| Including: Interest receivable | | |
| Dividend receivable | 11,098,176.37 | 1,267,187.27 |
| Inventories | 2,167,299,511.69 | 2,107,300,004.83 |
| Current portion of non-current assets | | |
| Other current assets | 30,818,797.77 | 17,765,080.24 |
| Total current assets | 5,486,478,317.17 | 6,659,248,627.60 |

| | | |
|---|---|---|
| Non-current assets: | | |
| Long-term equity investments | 219,421,484.28 | 99,877,917.52 |
| Investments in other equity instruments | | |
| Other non-current financial assets | 88,360,000.00 | 88,360,000.00 |
| Investment property | 17,321,570.18 | 17,772,891.33 |
| Fixed assets | 5,382,641,342.07 | 5,705,325,739.27 |
| Construction in progress | 152,373,900.56 | 90,157,178.55 |
| Right-of-use assets | 400,081,077.92 | 437,366,025.27 |
| Intangible assets | 317,248,597.31 | 322,548,576.08 |
| Development expenditure | | |
| Goodwill | 20,563,803.29 | 20,563,803.29 |
| Long-term deferred expenses | 2,765,926.73 | 2,966,740.84 |
| Deferred income tax assets | 146,467,598.50 | 147,571,150.02 |
| Other non-current assets | 126,025,362.39 | 515,004,250.30 |
| Total non-current assets | 6,873,270,663.23 | 7,447,514,272.47 |
| Total assets | 12,359,748,980.40 | 14,106,762,900.07 |
| Current liabilities: | | |
| Short-term loans | 490,474,659.40 | 652,836,872.89 |
| Held-for-trading financial liabilities | 2,463,160.63 | |
| Notes payable | 14,647,132.88 | |
| Accounts payable | 215,170,498.75 | 232,348,158.30 |
| Advances from customers | | |
| Contract liabilities | 161,616,556.99 | 178,735,140.23 |
| Payroll payable | 234,787,516.32 | 301,497,209.62 |

| | | |
|---|---|---|
| Taxes payable | 19,143,378.27 | 58,873,433.90 |
| Other payables | 21,770,172.16 | 17,580,817.40 |
| Including: Interest payable | | |
| Dividends payable | 441,113.64 | 441,113.64 |
| Current portion of non-current liabilities | 409,349,752.41 | 1,870,562,551.70 |
| Other current liabilities | 41,791,580.79 | 33,932,228.19 |
| Total current liabilities | 1,611,214,408.60 | 3,346,366,412.23 |
| Non-current liabilities: | | |
| Long-term borrowings | 169,731,200.07 | 247,912,723.61 |
| Bonds payable | | |
| Lease liabilities | 67,995,800.21 | 74,159,267.26 |
| Long-term payables | | |
| Long-term payroll payable | 58,241,342.34 | 58,241,342.34 |
| Provisions | | |
| Deferred income | 135,846,736.65 | 139,473,294.93 |
| Deferred income tax liabilities | 122,227,839.09 | 110,514,267.42 |
| Other non-current liabilities | | |
| Total non-current liabilities | 554,042,918.36 | 630,300,895.56 |
| Total liabilities | 2,165,257,326.96 | 3,976,667,307.79 |
| Owners' equity: | | |
| Share capital | 817,525,607.00 | 817,306,920.00 |
| Other equity instruments | | 71,383,045.46 |
| Including: Preferred shares | | |
| Perpetual bonds | | |

| | | |
|---|---|---|
| Capital reserves | 252,112,745.91 | 178,932,155.02 |
| Less: Treasury stock | | |
| Other comprehensive income | 40,764,850.94 | 108,712,967.46 |
| Specific reserve | 1,851,093.09 | |
| Surplus reserves | 1,331,218,572.39 | 1,331,218,572.39 |
| General reserve | | |
| Retained earnings | 7,434,801,442.63 | 7,303,500,526.72 |
| Total equity attributable to owners of the Company as the parent | 9,878,274,311.96 | 9,811,054,187.05 |
| Equity of non-controlling interests | 316,217,341.48 | 319,041,405.23 |
| Total owners' equity | 10,194,491,653.44 | 10,130,095,592.28 |
| Total liabilities and owners' equity | 12,359,748,980.40 | 14,106,762,900.07 |

Legal representative: Liu Zibin Head of accounting affairs: Zhang Keming

Head of the accounting department: Zhang Keming

**2. Balance Sheet of the Parent Company**

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Current assets: | | |
| Monetary capitals | 1,019,789,471.22 | 1,433,664,604.80 |
| Held-for-trading financial assets | 100,036,960.45 | 660,679,174.82 |
| Derivative financial assets | | |
| Notes receivable | 35,897,799.39 | 22,213,122.87 |
| Accounts receivable | 284,991,427.83 | 421,353,996.52 |
| Receivables financing | 289,750.82 | 3,531,557.70 |
| Prepayments | 108,876,908.94 | 39,570,454.23 |
| Other receivables | 1,602,342,122.27 | 1,439,542,031.30 |

| | | |
|---|---|---|
| Including: Interest receivable | | |
| Dividend receivable | | |
| Inventories | 927,710,124.45 | 822,593,850.01 |
| Current portion of non-current assets | | |
| Other current assets | 2,478,239.04 | 201,318.75 |
| Total current assets | 4,082,412,804.41 | 4,843,350,111.00 |
| Non-current assets: | | |
| Long-term equity investments | 3,848,219,418.53 | 3,865,995,861.77 |
| Investments in other equity instruments | | |
| Other non-current financial assets | 76,360,000.00 | 76,360,000.00 |
| Investment property | 55,972,254.00 | 57,726,813.60 |
| Fixed assets | 1,651,629,519.67 | 1,711,399,901.88 |
| Construction in progress | 2,034,520.73 | 4,430,909.18 |
| Right-of-use assets | 72,030,035.58 | 78,265,677.78 |
| Intangible assets | 182,288,316.38 | 185,411,499.73 |
| Long-term deferred expenses | | |
| Deferred income tax assets | 67,367,339.20 | 73,069,006.97 |
| Other non-current assets | 52,679,336.72 | 475,811,170.00 |
| Total non-current assets | 6,008,580,740.81 | 6,528,470,840.91 |
| Total assets | 10,090,993,545.22 | 11,371,820,951.91 |
| Current liabilities: | | |
| Short-term loans | | |
| Held-for-trading financial liabilities | 939,000.00 | |
| Derivative financial liabilities | | |

| | | |
|---|---|---|
| Notes payable | 164,991,802.27 | 28,600,000.00 |
| Accounts payable | 105,851,706.82 | 132,387,909.61 |
| Advances from customers | | |
| Contract liabilities | 256,648,554.18 | 47,217,878.86 |
| Payroll payable | 158,170,814.68 | 189,218,607.99 |
| Taxes payable | 2,607,685.28 | 27,349,150.84 |
| Other payables | 16,784,043.93 | 13,911,794.27 |
| Including: Interest payable | | |
| Dividends payable | 441,113.64 | 441,113.64 |
| Liabilities held for sale | | |
| Current portion of non-current liabilities | 408,092,300.60 | 1,853,750,476.37 |
| Other current liabilities | 56,962,834.19 | 22,774,974.65 |
| Total current liabilities | 1,171,048,741.95 | 2,315,210,792.59 |
| Non-current liabilities: | | |
| Long-term borrowings | 12,316,983.52 | 113,792,695.83 |
| Bonds payable | | |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Lease liabilities | 69,931,147.43 | 73,634,249.91 |
| Long-term payables | | |
| Long-term payroll payable | 58,241,342.34 | 58,241,342.34 |
| Provisions | | |
| Deferred income | 104,099,697.84 | 106,580,569.50 |
| Deferred income tax liabilities | 73,471,369.59 | 74,503,325.14 |

| | | |
|---|---|---|
| Other non-current liabilities | | |
| Total non-current liabilities | 318,060,540.72 | 426,752,182.72 |
| Total liabilities | 1,489,109,282.67 | 2,741,962,975.31 |
| Owners' equity: | | |
| Share capital | 817,525,607.00 | 817,306,920.00 |
| Other equity instruments | | 71,383,045.46 |
| Including: Preferred shares | | |
| Perpetual bonds | | |
| Capital reserves | 319,649,039.46 | 246,468,448.57 |
| Less: Treasury stock | | |
| Other comprehensive income | -775.04 | -10,900.67 |
| Specific reserve | 100,049.39 | |
| Surplus reserves | 1,328,109,832.75 | 1,328,109,832.75 |
| Retained earnings | 6,136,500,508.99 | 6,166,600,630.49 |
| Total owners' equity | 8,601,884,262.55 | 8,629,857,976.60 |
| Total liabilities and owners' equity | 10,090,993,545.22 | 11,371,820,951.91 |

## 3. Consolidated Income Statement

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| I Revenue | 2,686,067,577.19 | 2,827,110,139.70 |
| Including: Operating revenue | 2,686,067,577.19 | 2,827,110,139.70 |
| II Costs and expenses | 2,499,245,560.13 | 2,525,003,547.23 |
| Including: Cost of sales | 2,074,860,173.08 | 2,168,474,896.26 |
| Taxes and surcharges | 29,805,293.26 | 31,239,434.94 |
| Selling expense | 67,616,713.85 | 69,698,089.77 |

| | | |
|---|---|---|
| Administrative expense | 164,389,279.21 | 162,947,077.39 |
| R&D expense | 82,599,598.53 | 100,446,619.98 |
| Financial expenses | 79,974,502.20 | -7,802,571.11 |
| Including: Interest expense | 37,908,242.99 | 47,165,800.27 |
| Interest income | 31,685,689.40 | 34,380,042.79 |
| Add: Other income | 18,222,873.91 | 11,191,654.96 |
| Return on investment (“-” for loss) | 127,463,981.67 | 199,543,864.41 |
| Including: Share of profit or loss of joint ventures and associates | -21,570.27 | 1,393,710.04 |
| 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) | 1,826,891.00 | -53,613,179.42 |
| Credit impairment loss (“-” for loss) | -17,729,105.10 | -6,567,343.20 |
| Asset impairment loss (“-” for loss) | -34,299,749.87 | -33,600,593.45 |
| Asset disposal income (“-” for loss) | -1,144,249.34 | -459,023.14 |
| III Operating profit (“-” for loss) | 281,162,659.33 | 418,601,972.63 |
| Add: Non-operating income | 11,394,876.65 | 8,777,411.25 |
| Less: Non-operating expense | 1,173,625.92 | 2,915,155.95 |
| IV Profit before tax (“-” for loss) | 291,383,910.06 | 424,464,227.93 |
| Less: Income tax expense | 40,280,360.62 | 56,505,920.02 |
| V Net profit (“-” for net loss) | 251,103,549.44 | 367,958,307.91 |
| i. By operating continuity | | |
| 1. Net profit from continuing operations (“-” for net loss) | 251,103,549.44 | 367,958,307.91 |

| | | |
|---|---|---|
| 2. Net profit from discontinued operations ("-" for net loss) | | |
| ii. By ownership | | |
| 1. Net profit attributable to shareholders of the Company as the parent ("-" for net loss) | 253,929,756.96 | 360,215,726.72 |
| 2. Net profit attributable to non-controlling interests ("-" for net loss) | -2,826,207.52 | 7,742,581.19 |
| VI Other comprehensive income, net of tax | -67,945,972.75 | -11,831,196.13 |
| Comprehensive income attributable to owners of the Company as the parent, net of tax | -67,948,116.52 | -11,831,196.13 |
| i. Other comprehensive income that will not be reclassified to profit or loss | | |
| ii. Other comprehensive income that will be reclassified to profit or loss | -67,948,116.52 | -11,831,196.13 |
| 1. Other comprehensive income that will be reclassified to profit or loss under the equity method | | |
| 2. Changes in the fair value of investments in other debt obligations | | |
| 3. Other comprehensive income arising from the reclassification of financial assets | | |
| 4. Credit impairment allowance for investments in other debt obligations | | |
| 5. Reserve for cash flow hedges | | |
| 6. Differences arising from the translation of foreign currency-denominated financial statements | -67,964,673.44 | -11,771,402.38 |
| 7. Other | 16,556.92 | -59,793.75 |
| Other comprehensive income attributable to non-controlling interests, net of tax | 2,143.77 | |
| VII Total comprehensive income | 183,157,576.69 | 356,127,111.78 |
| Total comprehensive income attributable to owners of the parent company | 185,981,640.44 | 348,384,530.59 |
| | -2,824,063.75 | 7,742,581.19 |

| | | |
|---|---|---|
| VIII Earnings per share | | |
| i. Basic earnings per share | 0.31 | 0.44 |
| ii. Diluted earnings per share | 0.29 | 0.40 |

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 Head of accounting affairs: Zhang Keming

Head of the accounting department: Zhang Keming

### 4. Income Statement of the Parent Company

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| I Operating revenue | 1,205,656,905.50 | 1,380,651,274.50 |
| Less: Cost of sales | 980,640,838.87 | 1,047,508,741.72 |
| Taxes and surcharges | 18,634,629.58 | 19,174,516.84 |
| Selling expense | 42,292,736.28 | 39,895,772.35 |
| Administrative expense | 89,794,595.09 | 89,681,738.86 |
| R&D expense | 58,370,918.35 | 74,371,809.78 |
| Financial expenses | 68,551,050.41 | 5,147,001.10 |
| Including: Interest expense | 20,548,545.77 | 27,250,219.49 |
| Interest income | 19,038,836.26 | 23,939,018.62 |
| Add: Other income | 5,025,867.73 | 5,875,520.30 |
| Return on investment (“-” for loss) | 153,240,267.43 | 527,782,025.32 |
| Including: Share of profit or loss of joint ventures and associates | -21,570.27 | 1,393,710.04 |
| 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) | -1,581,214.37 | -81,239,371.48 |
| Credit impairment loss ("-" for loss) | 3,246,068.17 | 829,519.78 |
| Asset impairment loss ("-" for loss) | -17,139,525.45 | -988,284.62 |
| Asset disposal income ("-" for loss) | -1,242,633.94 | -230,391.26 |
| II Operating profit ("-" for loss) | 88,920,966.49 | 556,900,711.89 |
| Add: Non-operating income | 8,614,966.15 | 5,108,491.01 |
| Less: Non-operating expense | 451,624.82 | 140,072.91 |
| III Profit before tax ("-" for loss) | 97,084,307.82 | 561,869,129.99 |
| Less: Income tax expense | 4,555,588.27 | 24,456,794.18 |
| IV Net profit ("-" for net loss) | 92,528,719.55 | 537,412,335.81 |
| i. Net profit from continuing operations ("-" for net loss) | 92,528,719.55 | 537,412,335.81 |
| ii. Net profit from discontinued operations ("-" for net loss) | | |
| V Other comprehensive income, net of tax | 10,125.63 | 2,375.18 |
| i. Other comprehensive income that will not be reclassified to profit or loss | | |
| ii. Other comprehensive income that will be reclassified to profit or loss | 10,125.63 | 2,375.18 |
| 1. Other comprehensive income that will be reclassified to profit or loss under the equity method | | |
| 2. Changes in the fair value of investments in other debt obligations | | |
| 3. Other comprehensive income arising from the reclassification of financial assets | | |
| 4. Credit impairment allowance for investments in other debt obligations | | |
| 5. Reserve for cash flow hedges | | |
| 6. Differences arising from the translation of foreign currency-denominated financial statements | | |

| | | |
|---|---|---|
| 7. Other | 10,125.63 | 2,375.18 |
| VI Total comprehensive income | 92,538,845.18 | 537,414,710.99 |
| VII Earnings per share | | |
| i. Basic earnings per share | 0.11 | 0.66 |
| ii. Diluted earnings per share | 0.11 | 0.58 |

## 5. Consolidated Cash Flow Statement

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| I Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 2,660,248,959.83 | 2,803,150,193.86 |
| Tax rebates | 33,337,651.00 | 36,500,294.08 |
| Cash generated from other operating activities | 27,729,182.78 | 25,319,329.63 |
| Subtotal of cash generated from operating activities | 2,721,315,793.61 | 2,864,969,817.57 |
| Payments for commodities and services | 1,463,240,556.00 | 1,542,792,623.46 |
| Cash paid to and for employees | 798,734,935.30 | 839,987,267.54 |
| Taxes paid | 102,369,301.97 | 115,718,037.97 |
| Cash used in other operating activities | 94,594,447.86 | 102,478,247.64 |
| Subtotal of cash used in operating activities | 2,458,939,241.13 | 2,600,976,176.61 |
| Net cash flow from operating activities | 262,376,552.48 | 263,993,640.96 |
| II Cash flows from investing activities: | | |
| Proceeds from disinvestment | 6,007,892,872.97 | 3,896,975,363.58 |
| Return on investment | 8,515,888.57 | 201,151,635.48 |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 12,639,147.00 | 8,019,136.00 |
| Net proceeds from the disposal of subsidiaries and other business units | 69,846,123.25 | |

| | | |
|---|---|---|
| Cash generated from other investing activities | 574,844,610.07 | 286,072,065.68 |
| Subtotal of cash generated from investing activities | 6,673,738,641.86 | 4,392,218,200.74 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 135,984,380.98 | 63,023,782.20 |
| Payments for investments | 5,585,106,000.00 | 4,273,214,000.00 |
| Cash used in other investing activities | 144,409,100.77 | 52,675,673.76 |
| Subtotal of cash used in investing activities | 5,865,499,481.75 | 4,388,913,455.96 |
| Net cash generated from/used in investing activities | 808,239,160.11 | 3,304,744.78 |
| III Cash flows from financing activities: | | |
| Capital contributions received | | |
| Borrowings raised | 638,809,489.32 | 795,615,516.62 |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 638,809,489.32 | 795,615,516.62 |
| Cash paid for debt repayment | 2,183,677,786.11 | 858,948,490.13 |
| Cash paid for distribution of dividend, profit or payment of interest | 293,305,701.52 | 123,410,101.61 |
| Including: Dividends paid by subsidiaries to non-controlling interests | | |
| Cash used in other financing activities | 9,249,306.00 | 9,250,108.12 |
| Subtotal of cash used in financing activities | 2,486,232,793.63 | 991,608,699.86 |
| Net cash generated from/used in financing activities | -1,847,423,304.31 | -195,993,183.24 |
| IV Effect of foreign exchange rates changes on cash and cash equivalents | -17,625,394.66 | 27,327,178.49 |
| V Net increase in cash and cash equivalents | -794,432,986.38 | 98,632,380.99 |
| Add: Opening balance of cash and cash equivalents | 2,033,439,469.50 | 1,371,412,259.52 |
| VI Closing balance of cash and cash equivalents | 1,239,006,483.12 | 1,470,044,640.51 |

## 6. Cash Flow Statement of the Parent Company

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| I Cash flows from operating activities: | | |
| Proceeds from sale of commodities and rendering of services | 1,454,530,139.93 | 1,290,886,102.43 |
| Tax rebates | 11,192,888.97 | 6,773,725.66 |
| Cash generated from other operating activities | 18,763,781.19 | 22,231,794.27 |
| Subtotal of cash generated from operating activities | 1,484,486,810.09 | 1,319,891,622.36 |
| Payments for commodities and services | 686,987,063.24 | 878,878,825.92 |
| Cash paid to and for employees | 371,924,019.67 | 395,452,125.89 |
| Taxes paid | 45,519,481.08 | 66,045,293.01 |
| Cash used in other operating activities | 45,607,480.67 | 57,536,555.13 |
| Subtotal of cash used in operating activities | 1,150,038,044.66 | 1,397,912,799.95 |
| Net cash flow from operating activities | 334,448,765.43 | -78,021,177.59 |
| II Cash flows from investing activities: | | |
| Proceeds from disinvestment | 4,433,764,872.97 | 2,082,614,651.22 |
| Return on investment | 117,073,759.88 | 299,534,627.43 |
| Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets | 7,257,072.24 | 19,406,643.41 |
| Net proceeds from the disposal of subsidiaries and other business units | | |
| Cash generated from other investing activities | 1,434,724,180.54 | 1,163,480,433.41 |
| Subtotal of cash generated from investing activities | 5,992,819,885.63 | 3,565,036,355.47 |
| Payments for the acquisition of fixed assets, intangible assets and other long-lived assets | 11,871,511.29 | 15,352,948.15 |
| Payments for investments | 3,856,010,000.00 | 2,259,738,000.00 |
| Net payments for the acquisition of subsidiaries and other | | |

| | | |
|---|---|---|
| business units | | |
| Cash used in other investing activities | 1,283,836,420.00 | 913,402,246.98 |
| Subtotal of cash used in investing activities | 5,151,717,931.29 | 3,188,493,195.13 |
| Net cash generated from/used in investing activities | 841,101,954.34 | 376,543,160.34 |
| III Cash flows from financing activities: | | |
| Capital contributions received | | |
| Borrowings raised | 50,000,000.00 | 20,000,000.00 |
| Cash generated from other financing activities | | |
| Subtotal of cash generated from financing activities | 50,000,000.00 | 20,000,000.00 |
| Cash paid for debt repayment | 1,454,000,630.75 | 8,463,198.74 |
| Cash paid for distribution of dividend, profit or payment of interest | 280,308,087.92 | 111,038,442.44 |
| Cash used in other financing activities | 9,797,248.50 | 9,220,803.28 |
| Subtotal of cash used in financing activities | 1,744,105,967.17 | 128,722,444.46 |
| Net cash generated from/used in financing activities | -1,694,105,967.17 | -108,722,444.46 |
| IV Effect of foreign exchange rates changes on cash and cash equivalents | -16,093,547.89 | 5,369,627.73 |
| V Net increase in cash and cash equivalents | -534,648,795.29 | 195,169,166.02 |
| Add: Opening balance of cash and cash equivalents | 1,228,997,994.46 | 507,628,886.80 |
| VI Closing balance of cash and cash equivalents | 694,349,199.17 | 702,798,052.82 |

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

# H1 2026

Unit: RMB

| Item | H1 2026 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | Other | Subtotal | | |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | | | | |
| I Ending balances of the prior year | 817,306,920.00 | | | 71,383,045.46 | 178,932,155.02 | | 108,712,967.46 | | 1,331,218,572.39 | | 7,303,500,526.72 | | 9,811,054,187.05 | 319,041,405.23 | 10,130,095,592.28 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II Beginning balances of the year | 817,306,920.00 | | | 71,383,045.46 | 178,932,155.02 | | 108,712,967.46 | | 1,331,218,572.39 | | 7,303,500,526.72 | | 9,811,054,187.05 | 319,041,405.23 | 10,130,095,592.28 |
| III Increase/decrease in the period ("-" for decrease) | 218,687.00 | | | -71,383,045.46 | 73,180,590.89 | | -67,948,116.52 | 1,851,093.09 | | | 131,300,915.91 | | 67,220,124.91 | -2,824,063.75 | 64,396,061.16 |
| i. Total comprehensive income | | | | | | | -67,948,116.52 | | | | 253,929,756.96 | | 185,981,640.44 | -2,824,063.75 | 183,157,576.69 |
| ii. Capital increased and reduced by owners | 218,687.00 | | | -71,383,045.46 | 73,180,590.89 | | | | | | | | 2,016,232.43 | | 2,016,232.43 |
| 1. Ordinary shares increased by shareholders | 218,687.00 | | | | 1,799,759.99 | | | | | | | | 2,018,446.99 | | 2,018,446.99 |
| 2. Capital increased by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Share-based payments included in owners' equity | | | | | 91,321.25 | | | | | | | | 91,321.25 | | 91,321.25 |
| 4. Other | | | | -71,383,045.46 | 71,289,509.65 | | | | | | | | -93,535.81 | | -93,535.81 |
| iii. Profit distribution | | | | | | | | | | | -122,628,841.05 | | -122,628,841.05 | | -122,628,841.05 |
| 1. Appropriation to surplus reserves | | | | | | | | | | | | | | | |
| 2. Appropriation to general reserve | | | | | | | | | | | | | | | |
| 3. Appropriation to owners (or shareholders) | | | | | | | | | | | -122,628,841.05 | | -122,628,841.05 | | -122,628,841.05 |
| 4. Other | | | | | | | | | | | | | | | |
| iv. Transfers within owners' | | | | | | | | | | | | | | | |

| Item | Share capital | Preferred shares | Perpetual bonds | Other | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | General reserve | Retained earnings | Other | Subtotal | Equity of non-controlling interests | Total owners' equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| equity | | | | | | | | | | | | | | | |
| v. Specific reserve | | | | | | | | 1,851,093.09 | | | | | 1,851,093.09 | | 1,851,093.09 |
| 1. Increase in the period | | | | | | | | 5,471,234.72 | | | | | 5,471,234.72 | | 5,471,234.72 |
| 2. Used in the period | | | | | | | | 3,620,141.63 | | | | | 3,620,141.63 | | 3,620,141.63 |
| vi. Other | | | | | | | | | | | | | | | |
| IV Ending balances of the period | 817,525,607.00 | | | | 252,112,745.91 | | 40,764,850.94 | 1,851,093.09 | 1,331,218,572.39 | | 7,434,801,442.63 | | 9,878,274,311.96 | 316,217,341.48 | 10,194,491,653.44 |

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 | Other | Subtotal | | |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | | | | |
| I 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 | | | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | | | |
| II 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 |
| III 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 |
| i. Total comprehensive income | | | | | | | -11,831,196.13 | | | | 360,215,726.72 | | 348,384,530.59 | 7,742,581.19 | 356,127,111.78 |
| ii. Capital increased and reduced by owners | 412.00 | | | -178.48 | 227,729.80 | | | | | | | | 227,963.32 | | 227,963.32 |
| 1. Ordinary shares increased by shareholders | 412.00 | | | | 3,374.76 | | | | | | | | 3,786.76 | | 3,786.76 |
| 2. Capital increased by holders of other equity instruments | | | | | | | | | | | | | | | |
| 3. Share-based payments included in owners' equity | | | | | 224,307.75 | | | | | | | | 224,307.75 | | 224,307.75 |
| 4. Other | | | | -178.48 | 47.29 | | | | | | | | -131.19 | | -131.19 |
| iii. Profit distribution | | | | | | | | | | | -81,730,601.00 | | -81,730,601.00 | -75,000,000.00 | -156,730,601.00 |
| 1. Appropriation to surplus reserves | | | | | | | | | | | | | | | |
| 2. Appropriation to general reserve | | | | | | | | | | | | | | | |
| 3. Appropriation to owners (or shareholders) | | | | | | | | | | | -81,730,601.00 | | -81,730,601.00 | -75,000,000.00 | -156,730,601.00 |
| 4. Other | | | | | | | | | | | | | | | |
| iv. Transfers within owners' equity | | | | | | | | | | | | | | | |
| v. Specific reserve | | | | | | | | 4,210,110.35 | | | | | 4,210,110.35 | | 4,210,110.35 |
| 1. Increase in the period | | | | | | | | 7,971,427.33 | | | | | 7,971,427.33 | | 7,971,427.33 |
| 2. Used in the period | | | | | | | | 3,761,316.98 | | | | | 3,761,316.98 | | 3,761,316.98 |
| vi. Other | | | | | | | | | | | | | | | |
| IV 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 |

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

H1 2026

Unit: RMB

| Item | H1 2026 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Other equity instruments | | | Capital reserves | Less: Treasury stock | Other comprehensive income | Specific reserve | Surplus reserves | Retained earnings | Other | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | |
| I Ending balances of the prior year | 817,306,920.00 | | | 71,383,045.46 | 246,468,448.57 | | -10,900.67 | | 1,328,109,832.75 | 6,166,600,630.49 | | 8,629,857,976.60 |
| Add: Adjustments for changed accounting policies | | | | | | | | | | | | |
| Adjustments for corrections of previous errors | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II Beginning balances of the year | 817,306,920.00 | | | 71,383,045.46 | 246,468,448.57 | | -10,900.67 | | 1,328,109,832.75 | 6,166,600,630.49 | | 8,629,857,976.60 |
| III Increase/decrease in the period ("-" for decrease) | 218,687.00 | | | -71,383,045.46 | 73,180,590.89 | | 10,125.63 | 100,049.39 | | -30,100,121.50 | | -27,973,714.05 |
| i. Total comprehensive income | | | | | | | 10,125.63 | | | 92,528,719.55 | | 92,538,845.18 |
| ii. Capital increased and reduced by owners | 218,687.00 | | | -71,383,045.46 | 73,180,590.89 | | | | | | | 2,016,232.43 |
| 1. Ordinary shares increased by shareholders | 218,687.00 | | | | 1,799,759.99 | | | | | | | 2,018,446.99 |
| 2. Capital increased by holders of other equity instruments | | | | | | | | | | | | |
| 3. Share-based payments included in owners' equity | | | | | 91,321.25 | | | | | | | 91,321.25 |
| 4. Other | | | | -71,383,045.46 | 71,289,509.65 | | | | | | | -93,535.81 |
| iii. Profit distribution | | | | | | | | | | -122,628,841.05 | | -122,628,841.05 |
| 1. Appropriation to surplus reserves | | | | | | | | | | | | |
| 2. Appropriation to owners (or shareholders) | | | | | | | | | | -122,628,841.05 | | -122,628,841.05 |
| 3. Other | | | | | | | | | | | | |
| iv. Transfers within owners' equity | | | | | | | | | | | | |
| v. Specific reserve | | | | | | | | 100,049.39 | | | | 100,049.39 |
| 1. Increase in the period | | | | | | | | 1,462,200.00 | | | | 1,462,200.00 |
| 2. Used in the period | | | | | | | | 1,362,150.61 | | | | 1,362,150.61 |
| vi. Other | | | | | | | | | | | | |
| IV Ending balances of the period | 817,525,607.00 | | | | 319,649,039.46 | | -775.04 | 100,049.39 | 1,328,109,832.75 | 6,136,500,508.99 | | 8,601,884,262.55 |

## 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 | Other | Total owners' equity |
| | | Preferred shares | Perpetual bonds | Other | | | | | | | | |
| I 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 | | | | | | | | | | | | |
| Other | | | | | | | | | | | | |
| II 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 |
| III 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 |
| i. Total comprehensive income | | | | | | | 2,375.18 | | | 537,412,335.81 | | 537,414,710.99 |
| ii. Capital increased and reduced by owners | 412.00 | | | -178.48 | 227,729.80 | | | | | | | 227,963.32 |
| 1. Ordinary shares increased by shareholders | 412.00 | | | | 3,374.76 | | | | | | | 3,786.76 |
| 2. Capital increased by holders of other equity instruments | | | | | | | | | | | | |
| 3. Share-based payments included in owners' equity | | | | | 224,307.75 | | | | | | | 224,307.75 |
| 4. Other | | | | -178.48 | 47.29 | | | | | | | -131.19 |
| iii. Profit distribution | | | | | | | | | | -81,730,601.00 | | -81,730,601.00 |
| 1. Appropriation to surplus reserves | | | | | | | | | | | | |
| 2. Appropriation to owners (or shareholders) | | | | | | | | | | -81,730,601.00 | | -81,730,601.00 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3. Other | | | | | | | | | | | | |
| iv. Transfers within owners' equity | | | | | | | | | | | | |
| v. Specific reserve | | | | | | | | 33,042.22 | | | | 33,042.22 |
| 1. Increase in the period | | | | | | | | 1,525,200.00 | | | | 1,525,200.00 |
| 2. Used in the period | | | | | | | | 1,492,157.78 | | | | 1,492,157.78 |
| vi. Other | | | | | | | | | | | | |
| IV 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 |

## 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.

According to the resolution passed at the 10th meeting of the 10th Board of Directors on June 19, 2023 and the *Proposal on Repurchase of Domestically Listed Foreign Shares (B-shares)* passed at the First Extraordinary General Meeting on July 6, 2023, the Company repurchased and canceled 46,176,428.00 B-shares.

According to the resolution passed at the 18th meeting of the 10th Board of Directors on January 19, 2024 and the *Proposal on Repurchase and Cancellation of Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition* passed at the First Extraordinary General Meeting on February 5, 2024, the Company repurchased and canceled 66,500.00 shares.

According to the resolution passed at the 22nd meeting of the 10th session of the Board of Directors on May 28, 2024 and the Proposal on Repurchase and Cancellation of Authorized but Unlocked Restricted Share of the Incentive Personnel not Conforming to the Incentive Condition passed at the Second Extraordinary General Meeting on June 14, 2024, the Company repurchased and canceled 59,000.00 shares.

After several capital increases and repurchases, as at June 30, 2026, the Company's registered capital was RMB817,525,600. Specifically, there were 591,399,600 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 main business scope of the Company and its subsidiaries includes: 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 12th Meeting of the 11th Board of Directors held on August 27, 2026.

## IV Basis for Preparation of Financial Statements

### 1. Preparation Basis

The financial statements are prepared in accordance with the Accounting Standards for Business Enterprises and their application guidelines, interpretations and other relevant regulations issued by the Ministry of Finance (collectively: "Accounting Standards for Business

Enterprises"). 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 Statements (Revised in 2023)* issued by China Securities Regulatory Commission.

The Company' 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 comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the consolidated and the Company's financial position as at June 30, 2026, as well as the consolidated and the Company's operating results and cash flows for the period from January 1 to June 30, 2026, 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 | Individual receivables exceeding 0.3% of total assets |

| | |
|---|---|
| reversed or recovered during the Reporting Period | |
| 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 total profit (or absolute loss amount) exceeds 10% of the corresponding item in the consolidated financial statements is considered a significant non-wholly owned subsidiary |
| Significant investment activity projects | Individual investment amounts exceeding 5% of total assets |

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

(1) Business Combinations under the Same Control

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

Business combination under common control achieved in stages through multiple transactions

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 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 combination cost and the fair value of the identifiable net assets of the acquired party acquired in the combination (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 combination cost and the fair value of the identifiable net assets of the acquired party acquired in the combination (the former is less than the latter) shall be recorded into the current profit or loss after the recheck.

Business combination not under the same control achieved in stages through multiple transactions

The combination cost is the sum of the consideration paid on the acquisition date and the fair value on the acquisition date of the acquiree's equity held prior to the acquisition 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 information. 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 non-controlling shareholders and the share of the company's owners' equity at the period-beginning the non-controlling shareholders enjoy (the former is larger than the latter) shall be offset the equity of non-controlling interests.

(3) Acquisition of Minority Interests in Subsidiaries

The difference between the cost of the newly acquired long-term equity investment due to the acquisition of minority interests and the share of the subsidiary's net assets continuously calculated from the acquisition date or combination date based on the newly increased shareholding proportion, and the difference between the disposal proceeds obtained from the partial disposal of the equity investment in the subsidiary without losing control and the share of the subsidiary's net assets continuously calculated from the acquisition date or combination date corresponding to the disposed long-term equity investment, are both adjusted to the capital reserve (share premium) in the consolidated balance sheet. If the capital reserve is insufficient to offset, the retained earnings are adjusted.

(4) Treatment of Loss of Control over a Subsidiary

Where control over a former subsidiary is lost due to the disposal of partial equity investment or other reasons, the remaining equity is remeasured at its fair value on the date when control is lost; the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, less the sum of the share of the carrying amount of the former subsidiary's net assets continuously calculated from the acquisition date based on the original shareholding proportion and the goodwill, the resulting difference is recognized as investment income for the period when control is lost.

Other comprehensive income related to the equity investment in the former subsidiary is accounted for on the same basis as the former subsidiary's direct disposal of related assets or liabilities when control is lost, and other changes in owners' equity related to the former subsidiary under the equity method are transferred to profit or loss for the current period when control is lost.

**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.

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 its interest share in a joint operation and accounts for them in accordance with the provisions of relevant Accounting Standards for Business Enterprises:

A. Recognize the assets held solely, and recognize the jointly held assets according to its share;

B. Recognize the liabilities assumed solely, and recognize the jointly assumed liabilities according to its share;

C. Recognize the revenue generated from the sale of its share of the output of the joint operation;

D. Recognize the revenue generated by the joint operation from the sale of output according to its share;

E. Recognize the expenses incurred solely, and recognize the expenses incurred by the joint operation according to its share.

(2) Joint Venture

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) Translation 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 a financial liability when it becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized when one of the following conditions is met:

a) The contractual rights to receive the cash flows from the financial asset expire;

b) The financial asset has been transferred, and the transfer meets the derecognition conditions for financial asset transfer described below.

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 simultaneously meet the following conditions and are not designated as measured at fair value through profit or loss as financial assets measured at amortized cost:

The business model of the Company for managing the financial asset is aimed at collecting contractual cash flows;

The contractual terms of the financial asset stipulate that the cash flows generated on specific dates are solely payments of principal and interest on the outstanding principal amount.

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 measured at fair value with changes recognized in 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.

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 debt instrument investments measured at fair value through other comprehensive income;

Contract assets as defined under Accounting Standards for Business Enterprises No. 14-Revenue;

Lease receivables;

And financial guarantee contracts (excluding those measured at fair value through profit or loss, those arising from transfers of financial assets that do not qualify for derecognition, or those arising from continuing involvement in 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, and other receivables, 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 and accounts receivable

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

When information for assessing expected credit losses on individual financial assets or contract assets cannot be obtained at reasonable cost, the Company groups notes receivable and accounts receivable based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The basis for determining the portfolios is as follows: A. Notes Receivable: 1. Bank acceptance bills with low credit rated 2. Commercial acceptance bills B. Accounts Receivable: 1. Non-overdue receivables (with L/C) 2. Non-overdue receivables (excluding L/C) 3. Overdue receivables.

For notes receivable classified into portfolios, the Company references historical credit loss experience, incorporating current conditions and forecasts of future economic conditions, and calculates expected credit losses using default risk exposure and lifetime expected credit loss rates.

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 aging 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.

Other receivables

The Company classifies other receivables into several portfolios based on credit risk characteristics and calculates the expected credit loss on a portfolio basis. The basis for determining the portfolios is as follows:

Portfolio 1: Receivables from related parties within the scope of consolidation

Portfolio 2: Receivables from tax refunds

Portfolio 3: Receivables from deposits and guarantees

Portfolio 4: Receivables from other amounts

For other receivables classified into portfolios, the Company calculates the expected credit loss based on the default risk exposure and the expected credit loss rate over the next 12 months or the entire life of the assets.

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 of significant increase in 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 debt investments 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. Evidence of credit impairment for financial assets includes the following observable information:

The issuer or debtor experiences significant financial difficulties;

The debtor breaches the contract, such as defaulting on interest or principal payments or overdue payments;

The Company makes concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties, which would not otherwise be made under normal circumstances;

The debtor is likely to go bankrupt or undergo other financial restructuring;

Financial difficulties of the issuer or debtor result in the disappearance of an active market for 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 provision formed therefrom shall be included in the current profit or 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 book balance of the financial asset will be written off directly. Such write-downs may constitute the derecognition for related financial assets. This situation occurs frequently when the Company determines that the debtor does not have any assets or any source of income to generate sufficient cash flow to repay the amount that will be written off. However, in accordance with the procedures for recovering due payments of the Company, the written-off financial assets may still be affected by the execution activities.

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

(7) Transfer of Financial Assets

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

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

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

(8) Offsetting of 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 Inventories

The Company's inventories are classified into raw materials, work-in-progress, materials for consigned processing, goods on hand, etc.

(2) Valuation Method for Issued Inventories

The Company's inventories are valued at actual cost when acquired. 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 and Method of Provisioning for Decline in Value of Inventories

On the balance sheet date, inventories are 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 for Stock

The perpetual inventory system is maintained for the stock of the Company.

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

The Company amortizes low-value consumables using the one-off amortization method upon requisition.

**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

For long-term equity investments formed by business combination: For long-term equity investments obtained by business combination under common control, the investment cost is determined on the merger date based on the share of the carrying value of the merged party's owners' equity in the consolidated financial statements of the ultimate controller; for long-term equity investments acquired by business combination not under common control, the combination cost is taken as the investment cost of the long-term equity investments.

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 fair value share of the investee's identifiable net assets at the time of investment, 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 through subsidiaries owns 20% (inclusive) or more but less than 50% of the voting shares of the investee, it is generally considered to have a significant influence on the investee, unless there is clear evidence that under such circumstances it cannot participate in the production and operation decisions of the investee and does not form a significant influence; when the Company owns less than 20% (exclusive) of the voting shares of the investee, it is generally not considered to have a significant influence on the investee, unless there is clear evidence that under such circumstances it can participate in the production and operation decisions of the investee and form a significant influence.

(4) Impairment Testing Method and Provision for Impairment

The method for recognizing asset 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 | 20-3 |
| Machinery equipment | Average method of useful life | 10-18 | 0-10 | 10-5 |
| Transportation vehicle | Average method of useful life | 5 | 0-10 | 20-18 |
| Electronic equipment and others | Average method of useful life | 5 | 0-10 | 20-18 |

**(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 us 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

(1) Service Life and Its Determination Basis, Estimation, Amortization Method or Review Procedures

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. 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 intended purpose 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) Scope of Employee Remuneration

Payroll refers to the various forms of remuneration or compensation given by an enterprise for services provided by employees or for the termination of employment relations. Payroll mainly includes short-term salary, welfare after departure, 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) 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) Post-employment Benefits

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

Set withdrawal plan

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

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

Defined benefit scheme

For defined benefit schemes, actuarial valuation is performed by an independent actuary on the balance sheet date of the year, and the cost of providing benefits is determined using the projected unit credit method. Employee compensation costs arising from the Company's defined benefit schemes comprise the following components:

a) Service cost, including current service cost, past service cost, and gains or losses on settlement. Current service cost refers to the increase in the present value of the defined benefit scheme obligation resulting from employee service rendered in the current period. Past service cost refers to the increase or decrease in the present value of the defined benefit scheme obligation related to employee service in prior periods arising from amendments to the defined benefit scheme.

b) Net interest on the net defined benefit liability or asset, comprising interest income on plan assets, interest expense on the defined benefit scheme obligation, and interest arising from the effect of any asset ceiling.

c) Changes arising from the remeasurement of the net defined benefit liability or asset.

Unless other accounting standards require or permit employee benefit costs to be included in the cost of assets, the Company recognizes items a) and b) above in profit or loss for the current period. Item c) is recognized in other comprehensive income and will not be reclassified to profit or loss in subsequent fiscal years. Upon termination of the original defined benefit scheme, the amount previously recognized in other comprehensive income is transferred in full within equity to retained earnings.

(4) Demission Welfare

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

For internal early retirement plans implemented for employees, economic compensation provided before the formal retirement date constitutes demission welfare. From the date the employee ceases to provide service until the normal retirement date, the wages and social insurance contributions payable to internally retired employees are recognized in full as a one-time charge to profit or loss for the current period. Economic compensation payable after the formal retirement date (such as regular pension retirement benefits) is accounted for as post-employment benefits.

(5) Other Long-term Benefits

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**

The Company recognizes an obligation related to a contingency as a provision when all of the following conditions are met:

(1) The obligation is a present obligation of the Company;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation;

(3) The amount of the obligation can be reliably measured.

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. Share-based Payments and Equity Instruments**

(1) Category of Share-Based Payment

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

(2) Method of Determining the Fair Value of Equity Instruments

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

(3) Ground for Recognizing the Optimal Estimation of Feasible Right Equity Instruments

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

(4) Relevant Accounting Treatment for Implementing, Modifying and Terminating Share-based Payment Plan

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

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

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

During the waiting period, if the granted equity instrument is cancelled (Excluding those cancelled due to failure to meet non-market-based vesting conditions, such as service conditions or non-market-based performance conditions.), the Company shall treat the cancelled equity instrument as an accelerated exercise, immediately include the left amount to be recognized during the waiting period in the current profit and loss, and recognize the capital reserve at the same time. Where the employee or other party can choose to meet the nonfeasible right condition but fails during the waiting period, it shall be treated as the cancellation of the granted equity instrument.

(5) Restricted Shares

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

**27. Revenue**

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

(1) General Principle

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

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

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

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.

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.

**28. Contract Costs**

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

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

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

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.

**29. Government Grants**

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

Government grants for monetary assets shall be measured according to the amount received or receivable. Government grants for non-monetary assets shall be measured by fair value; if the fair value cannot be obtained reliably, they are measured at a nominal amount of RMB1.

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.

**30. Deferred Income Tax Assets and 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.

**31. Lease**

**(1) Identification of Lease**

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

**(2) 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 scope 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 re-calculation 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*.

**32. Right-of-Use Assets**

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

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

At the start date of the lease term, the Company initially measures the right-of-use assets at cost. The cost includes: the initial measurement amount of lease 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).

33. 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.

**34. Repurchase of Shares**

Before the shares repurchased by the Company are cancelled or transferred, they are managed as treasury shares, and all expenditures for the repurchase of shares are transferred to the cost of treasury shares. Consideration and transaction costs paid in share repurchase reduce shareholders’ equity. When buying back, transferring or cancelling shares in the Company, no profits or losses are recognized.

The transfer of inventory shares shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and 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.

**35. Material Accounting Judgments and Estimates**

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 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.

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.

36. 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 2026

□ 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 | 25% |
| 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% |
| VACL | 11% |
| Tianyi Apparel | 0% |

**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.In accordance with the *Notice for Announcing Hi-tech Enterprise List of Shandong Province in 2025*, the majority-owned subsidiary Lulian New Materials was identified as a hi-tech enterprise, and the certificate issuing date was December 8, 2025. 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 Occupational Training School, has been recognized as a non-profit making organization exempt from tax between 2026 and 2030. 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 2026 is the fourth year of tax halving period with the enterprise income tax rate at 11%.

The wholly-owned subsidiary, Tianyi Apparel, enjoys a five-year enterprise income tax preference 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%. 2026 is the second year of the tax exemption period.

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* (C.SH. [2020] No. 31) 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.SH. [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 | 6,895,822.24 | 5,336,336.72 |
| Bank deposits | 1,608,117,743.56 | 2,338,764,463.79 |
| Other monetary capital | 8,036,910.44 | 52,750,659.21 |
| Total | 1,623,050,476.24 | 2,396,851,459.72 |
| Of which: Total amount deposited overseas | 300,226,944.24 | 309,624,659.59 |

Other notes:

(1) As of June 30, 2026, the restricted monetary capital amounted to RMB8,036,867.45.

(2) The interest receivable in bank deposits was RMB20,511,058.34.

## 2. Held-for-trading Financial Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Financial assets at fair value through profit or loss | 691,734,186.83 | 1,094,067,591.31 |
| Of which: | | |
| Investment in debt instruments | 270,724,086.35 | 684,327,576.29 |
| Equity instrument investment | 419,219,913.09 | 409,094,411.86 |
| Derivative financial assets | 1,790,187.39 | 645,603.16 |
| Total | 691,734,186.83 | 1,094,067,591.31 |

## 3. Notes Receivable

### (1) Notes Receivable Listed by Category

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Bank acceptance bills | 39,089,583.83 | 34,764,092.88 |
| Trade acceptance notes | 6,939,778.82 | 2,736,574.68 |
| Total | 46,029,362.65 | 37,500,667.56 |

### (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 | |
| Notes receivable of bad debt provision withdrawn by | 46,394,614.17 | 100.00% | 365,251.52 | 0.79% | 46,029,362.65 | 37,644,697.81 | 100.00% | 144,030.25 | 0.38% | 37,500,667.56 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| groups | | | | | | | | | | |
| Of which: | | | | | | | | | | |
| Commercial acceptance bills | 7,305,030.34 | 15.75% | 365,251.52 | 5.00% | 6,939,778.82 | 2,880,604.93 | 7.65% | 144,030.25 | 5.00% | 2,736,574.68 |
| Bank acceptance bills with low credit ratings | 39,089,583.83 | 84.25% | | | 39,089,583.83 | 34,764,092.88 | 92.35% | | | 34,764,092.88 |
| Total | 46,394,614.17 | 100.00% | 365,251.52 | 0.79% | 46,029,362.65 | 37,644,697.81 | 100.00% | 144,030.25 | 0.38% | 37,500,667.56 |

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 | Other | |
| Commercial acceptance bills | 144,030.25 | 221,221.27 | | | | 365,251.52 |
| Total | 144,030.25 | 221,221.27 | | | | 365,251.52 |

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 | | 35,370,093.64 |
| Total | | 35,370,093.64 |

## 4. Accounts Receivable

### (1) Disclosure by Aging

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|---|---|---|
| Within one year (including one year) | 808,060,703.36 | 920,652,598.73 |
| One to two years | 71,065,797.34 | 49,370,421.45 |
| Two to three years | 1,714,034.97 | 1,304,300.21 |
| More than three years | 861,143.40 | 878,541.40 |
| Three to four years | 644,492.40 | 736,346.40 |
| Four to five years | 123,074.00 | 5,055.00 |
| Over five years | 93,577.00 | 137,140.00 |
| Total | 881,701,679.07 | 972,205,861.79 |

## (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 | 38,189,403.30 | 4.33% | 20,723,986.86 | 54.27% | 17,465,416.44 | 8,485,612.48 | 0.87% | 6,719,047.69 | 79.18% | 1,766,564.79 |
| Accounts receivable withdrawal of bad debt provision of by group | 843,512,275.77 | 95.67% | 81,630,834.44 | 9.68% | 761,881,441.33 | 963,720,249.31 | 99.13% | 75,743,599.48 | 7.86% | 887,976,649.83 |
| Of which: | | | | | | | | | | |
| Group 1: Undue accounts (L/C) | 146,023,781.96 | 16.56% | | 0.00% | 146,023,781.96 | 188,652,027.41 | 19.41% | | | 188,652,027.41 |
| Group 2: Undue accounts (excluding L/C) | 457,556,058.16 | 51.89% | 20,590,022.69 | 4.50% | 436,966,035.47 | 576,222,816.54 | 59.27% | 25,930,026.64 | 4.50% | 550,292,789.90 |
| Group 3: Overdue amounts | 239,932,435.65 | 27.21% | 61,040,811.75 | 25.44% | 178,891,623.90 | 198,845,405.36 | 20.45% | 49,813,572.84 | 25.05% | 149,031,832.52 |
| Total | 881,701,679.07 | 100.00% | 102,354,821.30 | 11.61% | 779,346,857.77 | 972,205,861.79 | 100.00% | 82,462,647.17 | 8.48% | 889,743,214.62 |

The category name of bad debt provision separately accrued: June 2026

Unit: RMB

| Name | Beginning balance | | Ending balance | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdraw |
| Customer 1 | 4,094,029.81 | 2,327,465.02 | 2,042,593.52 | 2,042,593.52 | 100.00% | Customer in financial difficulty |
| Customer 2 | 2,464,080.59 | 2,464,080.59 | 2,620,410.21 | 2,620,410.21 | 100.00% | Customer in financial difficulty |
| Customer 3 | 1,600,187.96 | 1,600,187.96 | 1,443,782.86 | 1,443,782.86 | 100.00% | Customer in financial difficulty |
| Zhuhai Suichang Technology Co., Ltd. | 327,314.12 | 327,314.12 | 327,314.12 | 327,314.12 | 100.00% | Customer in financial difficulty |
| Customer 4 | | | 31,755,302.59 | 14,289,886.15 | 45.00% | Customer in financial difficulty |
| Total | 8,485,612.48 | 6,719,047.69 | 38,189,403.30 | 20,723,986.86 | | |

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 | Other | |
| Bad debt provision separately accrued | 6,719,047.69 | 14,004,939.17 | | | | 20,723,986.86 |
| Withdrawal of bad debt provision by group | 75,743,599.48 | 5,920,610.32 | -17,866.76 | 51,242.12 | | 81,630,834.44 |
| Total | 82,462,647.17 | 19,925,549.49 | -17,866.76 | 51,242.12 | 0.00 | 102,354,821.30 |

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

Unit: RMB

| Item | Written-off amount |
|---|---|
| Written-off accounts receivable | 51,242.12 |

### (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 |
|---|---|---|---|---|---|
| Summary of the top 5 of the ending balance of the accounts receivable and the contract assets | 235,955,607.02 | | 235,955,607.02 | 26.76% | 50,342,810.38 |

| | | | | | |
|---|---|---|---|---|---|
| Total | 235,955,607.02 | | 235,955,607.02 | 26.76% | 50,342,810.38 |

## 5. Receivables Financing

### (1) Receivables Financing Listed by Category

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Notes receivable | 4,714,987.78 | 10,375,801.86 |
| Other comprehensive income-fair value change | -20,842.92 | -40,498.90 |
| Total | 4,694,144.86 | 10,335,302.96 |

(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

| Item | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|---|---|---|
| Bank acceptance bills | 263,414,952.34 | |
| Total | 263,414,952.34 | |

## 6. Other Receivables

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Dividend receivable | 11,098,176.37 | 1,267,187.27 |
| Other receivables | 27,165,942.09 | 34,184,996.13 |
| Total | 38,264,118.46 | 35,452,183.40 |

### (1) Dividend Receivable

#### 1) Dividend receivable classification

Unit: RMB

| Item (or investee) | Ending balance | Beginning balance |
|---|---|---|

| | | |
|---|---|---|
| Dividend receivable | 11,098,176.37 | 1,267,187.27 |
| Total | 11,098,176.37 | 1,267,187.27 |

**2) 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 bad debt provision by group | 11,682,290.92 | 100.00% | 584,114.55 | 5.00% | 11,098,176.37 | 1,333,881.34 | 100.00% | 66,694.07 | 5.00% | 1,267,187.27 |
| Of which: | | | | | | | | | | |
| Dividend receivable | 11,682,290.92 | 100.00% | 584,114.55 | 5.00% | 11,098,176.37 | 1,333,881.34 | 100.00% | 66,694.07 | 5.00% | 1,267,187.27 |
| Total | 11,682,290.92 | | 584,114.55 | | 11,098,176.37 | 1,333,881.34 | | 66,694.07 | | 1,267,187.27 |

Changes of carrying amount with significant amount changed of loss provision in the Current Period

□ Applicable ☑ Not applicable

**(2) Other Receivables**

**1) Other receivables classified by nature**

Unit: RMB

| Nature | Ending carrying amount | Beginning carrying amount |
|---|---|---|
| Export rebates | 2,942,068.05 | 7,018,001.62 |
| VAT to be returned | | 7,360,072.76 |
| Payment on behalf | 27,129,965.93 | 26,960,896.72 |
| Guarantee deposit and cash deposit | 3,169,846.97 | 1,891,753.34 |
| Borrowings and petty cash | 1,874,761.43 | 1,463,362.43 |
| Other | 6,368,259.90 | 6,744,955.59 |

| | | |
|---|---|---|
| Total | 41,484,902.28 | 51,439,042.46 |

**2) Disclosure by aging**

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|---|---|---|
| Within one year (including one year) | 17,354,880.95 | 40,698,373.07 |
| One to two years | 19,081,689.45 | 1,582,916.07 |
| Two to three years | 1,711,692.39 | 995,281.34 |
| More than three years | 3,336,639.49 | 8,162,471.98 |
| Three to four years | 98,643.27 | 4,924,357.74 |
| Four to five years | 54,000.00 | 166,000.00 |
| Over five years | 3,183,996.22 | 3,072,114.24 |
| Total | 41,484,902.28 | 51,439,042.46 |

**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 bad debt provision by group | 41,484,902.28 | 100.00% | 14,318,960.19 | 34.52% | 27,165,942.09 | 51,439,042.46 | 100.00% | 17,254,046.33 | 33.54% | 34,184,996.13 |
| Of which: | | | | | | | | | | |
| Bad debt provision in Stage 1 | 18,314,029.75 | 44.15% | 915,701.54 | 5.00% | 17,398,328.21 | 22,861,526.12 | 44.44% | 1,143,076.29 | 5.00% | 21,718,449.83 |
| Bad debt provision in Stage 2 | 22,957,860.48 | 55.34% | 13,190,246.60 | 57.45% | 9,767,613.88 | 28,364,504.29 | 55.14% | 15,897,957.99 | 56.05% | 12,466,546.30 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Bad debt provision in Stage 3 | 213,012.05 | 0.51% | 213,012.05 | 100.00% | | 213,012.05 | 0.41% | 213,012.05 | 100.00% | |
| Total | 41,484,902.28 | 100.00% | 14,318,960.19 | 34.52% | 27,165,942.09 | 51,439,042.46 | 100.00% | 17,254,046.33 | 33.54% | 34,184,996.13 |

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, 2026 | 1,143,076.29 | 15,897,957.99 | 213,012.05 | 17,254,046.33 |
| Balance of January 1, 2026 in the current period | | | | |
| Withdrawal of the Current Period | -227,374.75 | -2,707,711.39 | | -2,935,086.14 |
| Balance of June 30, 2026 | 915,701.54 | 13,190,246.60 | 213,012.05 | 14,318,960.19 |

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 | Other | |
| Expected credit loss of the next 12 months at the first stage | 1,143,076.29 | -227,374.75 | | | | 915,701.54 |
| Expected credit loss in the duration (credit impairment not | 15,897,957.99 | -2,707,711.39 | | | | 13,190,246.60 |

| | | | | | | |
|---|---|---|---|---|---|---|
| occurred) at the second stage | | | | | | |
| Expected credit loss in the duration (credit impairment occurred) at the third stage | 213,012.05 | 0.00 | | | | 213,012.05 |
| Total | 17,254,046.33 | -2,935,086.14 | 0.00 | 0.00 | 0.00 | 14,318,960.19 |

### 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 |
|---|---|---|---|---|---|
| Haideng Co., Ltd. | Payment on behalf | 17,725,365.41 | Within one year, one to two years | 42.73% | 10,635,219.25 |
| Withholding and remitting of personal endowment insurance | Payment on behalf | 5,935,900.85 | Within one year | 14.31% | 296,795.04 |
| Withholding and remitting of personal medical insurance | Payment on behalf | 1,420,798.20 | Within one year | 3.42% | 71,039.91 |
| Withholding and remitting of personal housing provident fund | Payment on behalf | 1,385,054.25 | Within one year | 3.34% | 69,252.71 |
| Deposits | Deposits | 1,259,771.74 | Within one year | 3.04% | 62,988.59 |
| Total | | 27,726,890.45 | | 66.84% | 11,135,295.50 |

## 7. Prepayments

### (1) Prepayments Listed by Aging Analysis

Unit: RMB

| Aging | Ending balance | Beginning balance |
|---|---|---|

| | Amount | Percentage (%) | Amount | Percentage (%) |
|---|---|---|---|---|
| Within one year | 105,017,107.53 | 99.79% | 70,200,605.55 | 99.95% |
| One to two years | 194,950.57 | 0.19% | 20,116.61 | 0.03% |
| Two to three years | 28,802.80 | 0.03% | 12,400.80 | 0.02% |
| Total | 105,240,860.90 | | 70,233,122.96 | |

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 year.

### (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 RMB71,121,578.96 in the Current Period, accounting for 67.58% 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

No

### (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 | 1,049,818,533.16 | 55,625,153.79 | 994,193,379.37 | 948,796,192.27 | 57,414,663.40 | 891,381,528.87 |
| Work-in-progress | 486,417,876.76 | 6,030,001.01 | 480,387,875.75 | 504,540,889.35 | 5,995,564.27 | 498,545,325.08 |
| Inventory goods | 850,291,879.45 | 174,835,370.93 | 675,456,508.52 | 883,354,382.70 | 178,299,089.81 | 705,055,292.89 |
| Commissioned products | 17,261,748.05 | | 17,261,748.05 | 12,317,857.99 | | 12,317,857.99 |
| Total | 2,403,790,037.42 | 236,490,525.73 | 2,167,299,511.69 | 2,349,009,322.31 | 241,709,317.48 | 2,107,300,004.83 |

## (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 | Other | Recovered or charged-off | Other | |
| Raw materials | 57,414,663.40 | -1,070,139.88 | | 39,488.71 | 679,881.02 | 55,625,153.79 |
| Work-in-progress | 5,995,564.27 | 92,513.18 | | | 58,076.44 | 6,030,001.01 |
| Inventory goods | 178,299,089.81 | 32,255,371.48 | | 29,024,686.05 | 6,694,404.31 | 174,835,370.93 |
| Total | 241,709,317.48 | 31,277,744.78 | 0.00 | 29,064,174.76 | 7,432,361.77 | 236,490,525.73 |

## 9. Other Current Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Other tax | 9,834,215.55 | 9,076,861.29 |
| Prepaid income tax | 4,914,582.22 | 1,916,166.81 |
| Prepaid other taxes | | 538,923.85 |
| Convertible broken lot fund | | 199,652.61 |
| Deposit for recognizance | 11,070,000.00 | 4,033,475.68 |
| OTC securities clearing funds | 5,000,000.00 | 2,000,000.00 |
| Total | 30,818,797.77 | 17,765,080.24 |

## 10. 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Additional investment | Reduced investment | Gains and losses recognized under the equity method | Adjustment of other comprehensive income | Changes of other equity | Cash bonus or profits announced to issue | Withdrawal of impairment provision | Other | | |
| I. Joint ventures | | | | | | | | | | | | |
| II. Associated enterprises | | | | | | | | | | | | |
| Ningbo Meishan Bonded Port Area Haohong Equity Investment Partnership (L.P.) (hereinafter referred to as “Haohong Investment”) | 18,247,919.86 | | | | -19,723.19 | | | | | | 18,228,196.67 | |
| Ningbo Haoying Equity Investment Partnership (L.P) (hereinafter referred to as “Haoying Investment”) | 81,629,997.66 | | | | -1,847.08 | | | | | | 81,628,150.58 | |
| Yuanjing Apparel Co., Ltd. (hereinafter referred to as “Yuanjing Apparel”) | | | 120,934,192.98 | | -1,369,055.95 | | | | | | 119,565,137.03 | |
| Subtotal | 99,877,917.52 | | 120,934,192.98 | | -1,390,626.22 | | | | | | 219,421,484.28 | |
| Total | 99,877,917.52 | | 120,934,192.98 | | -1,390,626.22 | | | | | | 219,421,484.28 | |

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

## 11. Other Non-current Financial Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Equity instrument investment | 76,360,000.00 | 76,360,000.00 |
| Financial assets assigned measured by fair value through profit or loss | 12,000,000.00 | 12,000,000.00 |
| Total | 88,360,000.00 | 88,360,000.00 |

## 12. 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 | 15,935,766.79 | | | 15,935,766.79 |

| | | | | |
|---|---|---|---|---|
| 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 | 16,387,087.94 | | | 16,387,087.94 |
| 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 | 17,321,570.18 | | | 17,321,570.18 |
| 2. Beginning carrying value | 17,772,891.33 | | | 17,772,891.33 |

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

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

□ Applicable ☑ Not applicable

## 13. Fixed Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Fixed assets | 5,382,641,342.07 | 5,705,325,739.27 |
| Total | 5,382,641,342.07 | 5,705,325,739.27 |

### (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 | 4,252,549,697.32 | 7,925,714,259.02 | 60,111,960.63 | 147,600,028.08 | 12,385,975,945.05 |
| 2. Increased amount for the Current Period | 48,319,908.14 | 33,211,702.41 | 1,755,555.44 | 1,894,799.64 | 85,181,965.63 |
| (1) Purchase | 0.00 | 33,211,702.41 | 1,755,555.44 | 1,894,799.64 | 36,862,057.49 |
| (2) Transfer from construction in progress | 48,319,908.14 | | | | 48,319,908.14 |
| (3) Business combination increase | | | | | 0.00 |
| 3. Decreased amount for the Current Period | 162,357,986.68 | 211,575,061.81 | 4,401,624.51 | 2,140,759.31 | 380,475,432.31 |
| (1) Disposal or scrap | 580,428.71 | 77,340,972.12 | 2,162,467.97 | 286,647.35 | 80,370,516.15 |
| (2) Transfer from construction in progress | 17,782,074.12 | | | | 17,782,074.12 |
| (3) Transfer to investment | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| properties | | | | | |
| (4) Other decrease | 143,995,483.85 | 134,234,089.69 | 2,239,156.54 | 1,854,111.96 | 282,322,842.04 |
| 4. Ending balance | 4,138,511,618.78 | 7,747,350,899.62 | 57,465,891.56 | 147,354,068.41 | 12,090,682,478.37 |
| II. Accumulative depreciation | | | | | |
| 1. Beginning balance | 1,580,778,192.98 | 4,848,508,329.31 | 46,203,540.22 | 126,819,250.64 | 6,602,309,313.15 |
| 2. Increased amount for the Current Period | 66,234,552.17 | 157,475,159.00 | 1,608,175.37 | 3,104,219.27 | 228,422,105.81 |
| (1) Withdrawal | 66,234,552.17 | 157,475,159.00 | 1,608,175.37 | 3,104,219.27 | 228,422,105.81 |
| 3. Decreased amount for the Current Period | 52,452,796.72 | 141,341,877.55 | 3,336,385.88 | 1,757,600.72 | 198,888,660.87 |
| (1) Disposal or scrap | 207,256.05 | 67,180,970.66 | 1,946,221.17 | 258,445.16 | 69,592,893.04 |
| (2) Transfer from construction in progress | 4,297,334.15 | | | | 4,297,334.15 |
| (3) Transfer to investment properties | | | | | |
| (4) Other decrease | 47,948,206.52 | 74,160,906.89 | 1,390,164.71 | 1,499,155.56 | 124,998,433.68 |
| 4. Ending balance | 1,594,559,948.43 | 4,864,641,610.76 | 44,475,329.71 | 128,165,869.19 | 6,631,842,758.09 |
| III. Impairment provisions | | | | | |
| 1. Beginning balance | 28,926,815.95 | 49,340,582.11 | 5,671.30 | 67,823.27 | 78,340,892.63 |
| 2. Increased amount for the Current Period | | 3,022,005.09 | | | 3,022,005.09 |

| | | | | | |
|---|---|---|---|---|---|
| (1) Withdrawal | | 3,022,005.09 | | | 3,022,005.09 |
| 3. Decreased amount for the Current Period | | 5,150,006.69 | | 14,512.82 | 5,164,519.51 |
| (1) Disposal or scrap | | 5,150,006.69 | | 14,512.82 | 5,164,519.51 |
| 4. Ending balance | 28,926,815.95 | 47,212,580.51 | 5,671.30 | 53,310.45 | 76,198,378.21 |
| IV. Carrying value | | | | | |
| 1. Ending carrying value | 2,515,024,854.40 | 2,835,496,708.35 | 12,984,890.55 | 19,134,888.77 | 5,382,641,342.07 |
| 2. Beginning carrying value | 2,642,844,688.39 | 3,027,865,347.60 | 13,902,749.11 | 20,712,954.17 | 5,705,325,739.27 |

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

Unit: RMB

| Item | Ending carrying value |
|---|---|
| Houses | 2,833,291.22 |

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

Unit: RMB

| Item | Carrying value | Reason |
|---|---|---|
| LuFeng weaving dye grey yarn warehouse | 10,565,505.36 | Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments |
| Lu Thai Textile Warehouse 01, 02 | 5,665,992.62 | The same as above |
| Lulian New Materials Yarn Warehouse | 7,164,757.97 | The same as above |
| Overseas production base factory | 1,076,309,986.67 | To be submitted to the relevant department for processing upon completion |

## 14. Construction in Progress

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Construction in progress | 118,248,830.14 | 76,276,743.94 |
| Engineering materials | 34,125,070.42 | 13,880,434.61 |
| Total | 152,373,900.56 | 90,157,178.55 |

### (1) List of Construction in Progress

Unit: RMB

| Item | Ending balance | | | Beginning balance | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Provision for impairment losses | Carrying value | Carrying amount | Provision for impairment losses | Carrying value |
| Production line project of high-grade fabrics (Phase I) | 0.00 | | 0.00 | 1,074,046.11 | | 1,074,046.11 |
| Thermoelectric cogeneration project | 67,995,991.84 | | 67,995,991.84 | 42,120,224.61 | | 42,120,224.61 |
| Apparel processing project | 8,434,060.54 | | 8,434,060.54 | | | 0.00 |
| Linen yarn | 9,120,030.28 | | 9,120,030.28 | | | 0.00 |
| Reform project of Xinsheng Thermal Power | 9,250,877.72 | | 9,250,877.72 | 8,146,973.06 | | 8,146,973.06 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other sporadic projects | 23,447,869.76 | | 23,447,869.76 | 24,935,500.16 | | 24,935,500.16 |
| Total | 118,248,830.14 | 0.00 | 118,248,830.14 | 76,276,743.94 | | 76,276,743.94 |

## (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 | 1,074,046.11 | 424,796.71 | 1,498,842.82 | 0.00 | 0.00 | 119.00% | 100% | 11,598,184.16 | | | Self-raised + raised |
| Thermoelectric cogeneration project | 250,000,000.00 | 42,120,224.61 | 25,875,767.23 | 0.00 | 0.00 | 67,995,991.84 | 27.00% | 27% | | | | Self-financing |
| Apparel processing project | 67,520,000.00 | 0.00 | 8,434,060.54 | 0.00 | 0.00 | 8,434,060.54 | 12.00% | 12% | | | | Self-financing |
| Linen yarn | 36,410,000.00 | 0.00 | 9,121,855.87 | 0.00 | 1,825.59 | 9,120,030.28 | 25.00% | 25% | | | | Self-financing |
| Reform project of Xinsheng Thermal Power | 7,200,000.00 | 8,146,973.06 | 1,103,904.66 | 0.00 | 0.00 | 9,250,877.72 | 44.00% | 44% | | | | Self-financing |
| Other sporadic projects | | 24,935,500.16 | 50,178,287.01 | 46,821,065.32 | 4,844,852.09 | 23,447,869.76 | | | | | | Other |
| Total | 825,930,000.00 | 76,276,743.94 | 95,138,672.02 | 48,319,908.14 | 4,846,677.68 | 118,248,830.14 | | | 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 |
| Special materials | 405,004.07 | | 405,004.07 | 405,004.07 | | 405,004.07 |
| Special equipment to be installed | 33,720,066.35 | | 33,720,066.35 | 13,475,430.54 | | 13,475,430.54 |
| Total | 34,125,070.42 | | 34,125,070.42 | 13,880,434.61 | | 13,880,434.61 |

## 15. Right-of-use Assets

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

Unit: RMB

| Item | Housing and building | Land use rights | Total |
|---|---|---|---|
| I. Original carrying value | | | |
| 1. Beginning balance | 76,222,749.04 | 460,279,527.43 | 536,502,276.47 |
| 2. Increased amount for the Current Period | 141,639.26 | 0.00 | 141,639.26 |
| (1) Rent | 141,639.26 | 0.00 | 141,639.26 |
| (2) Lease Liabilities Adjustment | | | |
| (3) Other increase | | | |
| 3. Decreased amount for the Current Period | 259,469.82 | 27,232,429.33 | 27,491,899.15 |
| (1) Sublease is a financial lease | | | |

| | | | |
|---|---|---|---|
| (2) Transfer or hold for sale | | | |
| (3) Maturity | 147,191.78 | | 147,191.78 |
| (4) Other decrease | 112,278.04 | 27,232,429.33 | 27,344,707.37 |
| 4. Ending balance | 76,104,918.48 | 433,047,098.10 | 509,152,016.58 |
| II. Accumulative depreciation | | | |
| 1. Beginning balance | 36,427,464.04 | 62,708,787.16 | 99,136,251.20 |
| 2. Increased amount for the Current Period | 5,564,389.54 | 7,328,889.06 | 12,893,278.60 |
| (1) Withdrawal | 5,564,389.54 | 7,328,889.06 | 12,893,278.60 |
| (2) Other increase | | | |
| 3. Decreased amount for the Current Period | 249,802.30 | 2,708,788.84 | 2,958,591.14 |
| (1) Disposal | | | |
| (2) Maturity | 147,191.78 | | 147,191.78 |
| (3) Other decrease | 102,610.52 | 2,708,788.84 | 2,811,399.36 |
| 4. Ending balance | 41,742,051.28 | 67,328,887.38 | 109,070,938.66 |
| III. Impairment provisions | | | |
| IV. Carrying value | | | |
| 1. Ending carrying value | 34,362,867.20 | 365,718,210.72 | 400,081,077.92 |
| 2. Beginning carrying value | 39,795,285.00 | 397,570,740.27 | 437,366,025.27 |

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

□ Applicable ☑ Not applicable

Other notes

The Company recognizes lease expenses related to short-term leases and leases of low-value assets, as detailed in Note 7, Note 62.

## 16. 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 | | 1,808,727.38 | 283,018.87 | 472,839,790.25 |
| 2. Increased amount for the Current Period | | | | 42,477.88 | | 42,477.88 |
| (1) Purchase | | | | 42,477.88 | | 42,477.88 |
| (2) Internal R&D | | | | | | |
| (3) Business combination increase | | | | | | |
| (4) Other increase | | | | | | |
| 3. Decreased amount for the Current Period | | | | 4,812.43 | | 4,812.43 |
| (1) Disposal | | | | | | |
| (2) Other decrease | | | | 4,812.43 | | 4,812.43 |
| 4. Ending balance | 470,338,494.00 | 409,550.00 | | 1,846,392.83 | 283,018.87 | 472,877,455.70 |
| II. Accumulated amortization | | | | | | |
| 1. Beginning balance | 148,611,118.36 | 194,536.44 | | 1,399,995.58 | 85,563.79 | 150,291,214.17 |
| 2. Increased amount for the | 5,048,199.60 | 20,477.52 | | 232,644.37 | 39,490.98 | 5,340,812.47 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Period | | | | | | |
| (1) Withdrawal | 5,048,199.60 | 20,477.52 | | 232,644.37 | 39,490.98 | 5,340,812.47 |
| (2) Other increase | | | | | | |
| 3. Decreased amount for the Current Period | | | | 3,168.25 | | 3,168.25 |
| (1) Disposal | | | | | | |
| (2) Other decrease | | | | 3,168.25 | | 3,168.25 |
| 4. Ending balance | 153,659,317.96 | 215,013.96 | | 1,629,471.70 | 125,054.77 | 155,628,858.39 |
| III. Impairment provisions | | | | | | |
| IV. Carrying value | | | | | | |
| 1. Ending carrying value | 316,679,176.04 | 194,536.04 | | 216,921.13 | 157,964.10 | 317,248,597.31 |
| 2. Beginning carrying value | 321,727,375.64 | 215,013.56 | | 408,731.80 | 197,455.08 | 322,548,576.08 |

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

**(2) Impairment Test of Intangible Assets**

□ Applicable ☑ Not applicable

**17. 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 |

## 18. 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 | 2,893,266.33 | | 182,445.47 | | 2,710,820.86 |
| Technical service charges | 73,474.51 | 0.00 | 18,368.64 | | 55,105.87 |
| Total | 2,966,740.84 | 0.00 | 200,814.11 | | 2,765,926.73 |

## 19. 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 | 335,930,797.14 | 59,871,850.53 | 322,281,534.52 | 50,256,653.70 |
| Internal unrealized profit | 114,613,138.15 | 15,311,276.42 | 127,896,106.50 | 17,391,278.40 |
| Deductible losses | 14,577,011.84 | 2,194,486.56 | 46,957,871.96 | 7,051,615.58 |
| Payroll payable | 73,467,747.86 | 11,020,204.95 | 73,467,747.86 | 11,020,204.95 |
| Deferred income | 135,621,409.44 | 23,495,382.58 | 139,239,353.54 | 21,445,645.55 |
| Contract liabilities | 67,641,914.12 | 16,910,478.53 | 75,875,498.44 | 18,790,050.86 |
| The changes of receivables financing in fair value | 20,842.92 | 5,119.55 | 40,498.90 | 6,074.84 |
| Lease liabilities | 79,637,203.13 | 12,495,009.95 | 85,127,159.16 | 12,762,030.00 |
| Convertible bonds | 0.00 | 0.00 | 26,560,767.92 | 3,984,115.19 |

| | | | | |
|---|---|---|---|---|
| Associated enterprises | 29,867,543.40 | 4,480,131.51 | 29,847,820.21 | 4,477,173.03 |
| Accrued expenses | 2,575,386.13 | 386,307.92 | 2,575,386.13 | 386,307.92 |
| Changes in fair value of held-for-trading financial liabilities | 1,565,000.00 | 297,350.00 | | |
| Total | 855,517,994.13 | 146,467,598.50 | 929,869,745.14 | 147,571,150.02 |

## (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 | 554,225,054.64 | 96,464,586.99 | 563,242,301.02 | 88,476,994.31 |
| Changes in fair value of held-for-trading financial assets | 66,073.67 | 12,509.89 | 680,555.64 | 102,083.34 |
| Changes in the fair value of other non-current financial assets | 19,077,400.00 | 2,861,610.00 | 19,077,400.00 | 2,861,610.00 |
| Associated enterprises | 5,870,334.07 | 880,550.11 | 5,872,181.17 | 880,827.18 |
| Right-of-use assets | 68,217,502.35 | 11,879,108.25 | 75,721,216.95 | 11,349,507.46 |
| Fund profit | 67,529,825.67 | 10,129,473.85 | 45,621,634.18 | 6,843,245.13 |
| Total | 714,986,190.40 | 122,227,839.09 | 710,215,288.96 | 110,514,267.42 |

## (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 | | 146,467,598.50 | | 147,571,150.02 |

| | | | | |
|---|---|---|---|---|
| tax assets | | | | |
| Deferred income tax liabilities | | 122,227,839.09 | | 110,514,267.42 |

### (4) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Deductible temporary differences | 99,987,193.02 | 40,525,358.98 |
| Deductible losses | 366,332,411.79 | 352,599,532.44 |
| Total | 466,319,604.81 | 393,124,891.42 |

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

Unit: RMB

| Year | Ending amount | Beginning amount | Note |
|---|---|---|---|
| Y2028 | 702,282.74 | 702,282.74 | |
| Y2029 | 760,443.41 | 760,443.41 | |
| Y2030 | 1,182,124.10 | 1,182,124.10 | |
| Y2031 | 84,762,167.26 | 71,029,287.91 | |
| Y2032 | 96,903,840.68 | 96,903,840.68 | |
| Y2033 | 86,555,343.03 | 86,555,343.03 | |
| Y2034 | 57,775,658.65 | 57,775,658.65 | |
| Y2035 | 37,690,551.92 | 37,690,551.92 | |
| Total | 366,332,411.79 | 352,599,532.44 | |

## 20. Other Non-current Assets

Unit: RMB

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

| | | losses | | | losses | |
|---|---|---|---|---|---|---|
| Project prepayment | | | | 200,000.00 | | 200,000.00 |
| Prepayment for equipment | 33,983,815.42 | | 33,983,815.42 | 12,554,487.99 | | 12,554,487.99 |
| Prepayment for land transfer fee | 39,754,880.25 | | 39,754,880.25 | 27,255,406.47 | | 27,255,406.47 |
| Term deposits over 1 year | 50,000,000.00 | | 50,000,000.00 | 460,000,000.00 | | 460,000,000.00 |
| Interest receivable from term deposits over 1 year | 2,286,666.72 | | 2,286,666.72 | 14,994,355.84 | | 14,994,355.84 |
| Total | 126,025,362.39 | | 126,025,362.39 | 515,004,250.30 | | 515,004,250.30 |

## 21. Assets with Restricted Ownership or Right to Use

Unit: RMB

| Item | Period-end | | | | Period-beginning | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying amount | Carrying value | Type of restriction | Status of restriction | Carrying amount | Carrying value | Type of restriction | Status of restriction |
| Monetary capitals | 8,036,867.45 | 8,036,867.45 | Deposits for L/Cs | | 1,910,848.94 | 1,910,848.94 | Deposits for L/Cs | |
| Notes receivable | 35,370,093.64 | 35,370,093.64 | Endorsed or discounted but not yet due for derecognization | | 25,694,417.18 | 25,684,917.18 | Endorsed or discounted but not yet due for derecognization | |
| Other current assets | 11,070,000.00 | 11,070,000.00 | Deposit for recognizance | | 4,033,475.68 | 4,033,475.68 | Deposit for recognizance | |
| Total | 54,476,961.09 | 54,476,961.09 | | | 31,638,741.80 | 31,629,241.80 | | |

22. Short-term Loans

## (1) Category of Short-term Loans

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|

| | | |
|---|---|---|
| Borrowings secured by guarantee | 19,470,558.76 | 130,196,987.50 |
| Credit loan | 471,004,100.64 | 522,639,885.39 |
| Total | 490,474,659.40 | 652,836,872.89 |

Notes of the category for short-term loans:

The short-term loans include interest payable of RMB517,921.42.

### 23. Held-for-trading Financial Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Held-for-trading financial liabilities | 2,463,160.63 | 0.00 |
| Of which: | | |
| Derivative financial liabilities | 2,463,160.63 | 0.00 |
| Total | 2,463,160.63 | |

### 24. Notes Payable

Unit: RMB

| Category | Ending balance | Beginning balance |
|---|---|---|
| Bank acceptance bills | 14,647,132.88 | |
| Total | 14,647,132.88 | |

### 25. Accounts Payable

#### (1) List of Accounts Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Payment for goods | 129,202,509.77 | 118,175,135.19 |
| Engineering equipment | 52,243,842.08 | 77,362,678.88 |
| Other | 33,724,146.90 | 36,810,344.23 |
| Total | 215,170,498.75 | 232,348,158.30 |

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

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

### 26. Other Payables

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Dividends payable | 441,113.64 | 441,113.64 |
| Other payables | 21,329,058.52 | 17,139,703.76 |
| Total | 21,770,172.16 | 17,580,817.40 |

### (1) Dividends Payable

Unit: RMB

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

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

| Name of the shareholders | Dividends payable | Reason |
|---|---|---|
| Dividends payable to individual shareholders | 441,113.64 | Cash dividend of previous year not received by individual shareholders |
| Total | 441,113.64 | - |

### (2) Other Payables

### 1) Other payables listed by nature

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Deposits and cash deposits etc. | 7,560,141.21 | 5,950,933.17 |
| Collecting payment on behalf of others | 395,507.78 | 643,709.44 |
| Other | 13,373,409.53 | 10,545,061.15 |

| | | |
|---|---|---|
| Total | 21,329,058.52 | 17,139,703.76 |

## 27. Contract Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Advance from sales | 168,038,044.14 | 186,972,951.24 |
| Less: Contract liability recorded in other current liabilities | -6,421,487.15 | -8,237,811.01 |
| Total | 161,616,556.99 | 178,735,140.23 |

## 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 | 301,478,485.76 | 641,384,795.25 | 708,293,205.05 | 234,570,075.96 |
| II. Post-employment benefit-defined contribution plans | 18,723.86 | 85,570,086.87 | 85,371,370.37 | 217,440.36 |
| III. Termination benefits | | 420,365.94 | 420,365.94 | 0.00 |
| Total | 301,497,209.62 | 727,375,248.06 | 794,084,941.36 | 234,787,516.32 |

### (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, subsidy | 216,648,265.94 | 568,945,052.07 | 639,430,628.76 | 146,162,689.25 |
| 2. Employee welfare | | 19,318,008.82 | 19,052,318.18 | 265,690.64 |
| 3. Social insurance | 37,858.31 | 36,948,416.57 | 36,896,681.05 | 89,593.83 |

| | | | | |
|---|---|---|---|---|
| Of which: Medical insurance premiums | 34,941.22 | 34,238,205.00 | 34,190,979.04 | 82,167.18 |
| Work-related injury insurance premiums | 2,188.31 | 2,705,838.89 | 2,701,329.33 | 6,697.87 |
| Maternity insurance | 728.78 | 4,372.68 | 4,372.68 | 728.78 |
| 4. Housing fund | | 7,090,303.07 | 7,090,303.07 | 0.00 |
| 5. Labor-union expenditure and employee education budget | 84,792,361.51 | 9,083,014.72 | 5,823,273.99 | 88,052,102.24 |
| Total | 301,478,485.76 | 641,384,795.25 | 708,293,205.05 | 234,570,075.96 |

### (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 | 18,156.48 | 81,317,603.83 | 81,132,411.88 | 203,348.43 |
| 2. Unemployment insurance premiums | 567.38 | 4,252,483.04 | 4,238,958.49 | 14,091.93 |
| Total | 18,723.86 | 85,570,086.87 | 85,371,370.37 | 217,440.36 |

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 | 811,476.67 | 6,777,237.80 |
| Enterprise income tax | 6,721,844.36 | 37,231,505.40 |
| Personal income tax | 505,342.58 | 2,188,488.20 |

| | | |
|---|---|---|
| Urban maintenance and construction tax | 662,200.65 | 2,609,448.44 |
| Stamp duty | 488,798.23 | 601,861.56 |
| Real estate tax | 5,538,311.51 | 5,230,109.92 |
| Land use tax | 3,652,528.97 | 1,927,644.52 |
| Educational fee | 332,286.97 | 1,311,350.61 |
| Local educational surcharge | 221,524.65 | 775,166.23 |
| Tax on natural resources | 64,738.80 | 20,275.20 |
| Environmental protection tax | 144,324.88 | 200,346.02 |
| Total | 19,143,378.27 | 58,873,433.90 |

## 30. Current Portion of Non-current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Long-term borrowings matured within one year | 395,807,239.83 | 315,426,401.72 |
| Current portion of bonds payable | | 1,539,049,797.44 |
| Lease liabilities matured within one year | 13,542,512.58 | 16,086,352.54 |
| Total | 409,349,752.41 | 1,870,562,551.70 |

## 31. Other Current Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Tax to be charged off | 6,421,487.15 | 8,237,811.01 |
| Endorsed undue bill under non-derecognition | 35,370,093.64 | 25,694,417.18 |
| Total | 41,791,580.79 | 33,932,228.19 |

## 32. Long-term Borrowings

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

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Credit loan | 565,538,439.90 | 563,339,125.33 |
| Less: Current portion of long-term borrowings | -395,807,239.83 | -315,426,401.72 |
| Total | 169,731,200.07 | 247,912,723.61 |

Note to the category of long-term borrowings:

Other notes, including the interest rate range:

| Item | Ending balance | Interest rate range % | Beginning balance | Interest rate range % |
|---|---|---|---|---|
| Credit loan | 565,538,439.90 | 1.85-2.90 | 563,339,125.33 | 1.95-2.90 |

## 33. Bonds Payable

### (1) Bonds Payable

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Convertible bonds | | 1,539,049,797.44 |
| Less: Bonds payable due within one year | | -1,539,049,797.44 |

### (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) | 1,400,000,000.00 | 0.3%, 0.6%, 1%, 1.5%, 1.8%, 2% | April 9, 2020 | 6 years | 1,400,000,000.00 | 1,539,049,797.44 | | 41,133,563.18 | -26,560,767.92 | 1,551,787,492.70 | 1,835,100.00 | 0.00 | No |
| Total | | | | | 1,400,000,000.00 | 1,539,049,797.44 | | 41,133,563.18 | -26,560,767.92 | 1,551,787,492.70 | 1,835,100.00 | 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. Within five trading days following the maturity of the convertible bonds, the Company will redeem all unconverted convertible bonds from holders at a price equal to 111% of the par value of the convertible bonds issued (inclusive of the final year's interest). As of April 8, 2026 (the last conversion date), a cumulative total of 19,951 convertible bonds had been converted into company shares, with a cumulative number of converted shares of 236,742. The number of remaining "LuThai Convertible Bond" that was not converted into shares upon maturity was 13,980,019, and the total redemption amount upon maturity was RMB1,551,782,109.00 (including tax and the last installment of interest). The redemption was completed on April 9, 2026, and the "LuThai Convertible Bond" was delisted from the Shenzhen Stock Exchange.

## 34. Lease Liabilities

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Lease payments | 101,236,589.35 | 111,879,716.39 |
| Unrecognized financing costs | -19,698,276.56 | -21,634,096.59 |
| Less: Current portion of lease liabilities | -13,542,512.58 | -16,086,352.54 |
| Total | 67,995,800.21 | 74,159,267.26 |

Other notes

The amount of interest expense on lease liabilities accrued from January to June 2026 was RMB2,252,033.40, 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 | 58,241,342.34 | 58,241,342.34 |

| | | |
|---|---|---|
| Total | 58,241,342.34 | 58,241,342.34 |

## 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 | 139,473,294.93 | 36,825.00 | 3,663,383.28 | 135,846,736.65 | Government grants |
| Total | 139,473,294.93 | 36,825.00 | 3,663,383.28 | 135,846,736.65 | |

## 37. Share Capital

Unit: RMB

| | Beginning balance | Increase/decrease in the Reporting Period (+/-) | | | | | Ending balance |
|---|---|---|---|---|---|---|---|
| | | New issues | Shares as dividend converted from profit | Shares as dividend converted from capital reserves | Other | Subtotal | |
| Total shares | 817,306,920.00 | | | | 218,687.00 | 218,687.00 | 817,525,607.00 |

Other notes

During the Current Period, the Company converted 218,687 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 | Number | Carrying value | Number | Carrying value | Number | Carrying value |
| Convertible debt to equity | | 71,383,045.46 | | | | 71,383,045.46 | | 0.00 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total | | 71,383,045.46 | | | | 71,383,045.46 | | |

## 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) | 125,370,558.86 | 73,089,226.68 | | 198,459,785.54 |
| Other capital reserves | 53,561,596.16 | 91,364.21 | | 53,652,960.37 |
| Total | 178,932,155.02 | 73,180,590.89 | 0.00 | 252,112,745.91 |

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

1. Convertible bonds converted into equity during the Current Period increased capital reserve - share capital premium by RMB1,799,759.99, and the transfer of other equity instruments to capital reserve for unconverted convertible bonds upon maturity amounted to RMB71,289,466.69;

2. The recovery of restricted shares from departing participants under the restricted stock incentive plan increased other capital reserves by RMB91,321.25, and the fractional dividends for the 2025 B-share equity dividend distribution increased other capital reserves by RMB42.96.

## 40. Other Comprehensive Income

Unit: RMB

| Item | Beginning balance | H1 2026 | | | | | | Ending balance |
|---|---|---|---|---|---|---|---|---|
| | | Amount before deducting income tax for the Current Period | Less: Recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period | Less: Recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period | Less: Income tax expense | Attributable to the parent company after tax | Attributable minority shareholders after tax | |
| II. Other comprehensive income that may subsequently be reclassified to profit or loss | 108,712,967.46 | -67,942,250.00 | 0.00 | 0.00 | 3,722.75 | -67,948,116.52 | 2,143.77 | 40,764,850.94 |
| Differences arising from the translation of foreign currency- | 108,741,510.67 | -67,964,673.44 | | | | -67,964,673.44 | | 40,776,837.23 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| denominated financial statements | | | | | | | | |
| The changes of receivables financing in fair value | -28,543.21 | 22,423.44 | | | 3,722.75 | 16,556.92 | 2,143.77 | -11,986.29 |
| Total of other comprehensive income | 108,712,967.46 | -67,942,250.00 | 0.00 | 0.00 | 3,722.75 | -67,948,116.52 | 2,143.77 | 40,764,850.94 |

## 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 | 0.00 | 5,471,234.72 | 3,620,141.63 | 1,851,093.09 |
| Total | | 5,471,234.72 | 3,620,141.63 | 1,851,093.09 |

## 42. Surplus Reserves

Unit: RMB

| Item | Beginning balance | Increased amount of the Current Period | Decreased amount for the Current Period | Ending balance |
|---|---|---|---|---|
| Other capital reserves | 1,327,876,999.81 | | | 1,327,876,999.81 |
| Statutory surplus reserves | 3,341,572.58 | | | 3,341,572.58 |
| Total | 1,331,218,572.39 | 0.00 | 0.00 | 1,331,218,572.39 |

## 43. Retained Earnings

Unit: RMB

| Item | Reporting period | Same period of last year |
|---|---|---|
| Beginning balance of retained earnings before adjustments | 7,303,500,526.72 | 6,933,165,006.16 |
| Beginning balance of retained earnings after adjustments | 7,303,500,526.72 | 6,933,165,006.16 |

| | | |
|---|---|---|
| Add: Net profit attributable to owners of the parent company | 253,929,756.96 | 360,215,726.72 |
| Dividends of common shares payable | 122,628,841.05 | 81,730,601.00 |
| Ending retained earnings | 7,434,801,442.63 | 7,211,650,131.88 |

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 | H1 2026 | | H1 2025 | |
|---|---|---|---|---|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 2,612,461,319.65 | 2,014,836,218.67 | 2,761,593,924.22 | 2,114,102,945.55 |
| Other operations | 73,606,257.54 | 60,023,954.41 | 65,516,215.48 | 54,371,950.71 |
| Total | 2,686,067,577.19 | 2,074,860,173.08 | 2,827,110,139.70 | 2,168,474,896.26 |

**45. Taxes and Surcharges**

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Urban maintenance and construction tax | 5,319,119.42 | 7,709,315.81 |
| Educational fee | 2,321,805.84 | 3,352,777.94 |
| Tax on natural resources | 99,457.20 | 225,561.60 |
| Real estate tax | 11,087,342.94 | 11,082,230.94 |

| | | |
|---|---|---|
| Land use tax | 7,992,691.97 | 5,126,449.13 |
| Vehicle and vessel usage tax | 32,463.16 | 41,816.34 |
| Stamp duty | 989,656.25 | 972,888.98 |
| Local educational surcharge | 1,547,870.53 | 2,235,185.25 |
| Environmental protection tax | 414,885.95 | 493,208.95 |
| Total | 29,805,293.26 | 31,239,434.94 |

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 | H1 2026 | H1 2025 |
|---|---|---|
| Salaries | 78,165,496.46 | 75,165,450.56 |
| Depreciation charges | 16,304,147.63 | 19,839,428.51 |
| Warehouse funding | 18,938,959.25 | 18,803,130.99 |
| Labor-union expenditure | 4,860,453.45 | 5,179,275.40 |
| Employee education budget | 3,348,181.46 | 3,555,159.13 |
| Amortization of intangible assets | 6,712,748.92 | 6,915,254.58 |
| Carriage charges | 4,034,519.95 | 3,940,267.62 |
| Other | 32,024,772.09 | 29,549,110.60 |
| Total | 164,389,279.21 | 162,947,077.39 |

### 47. Selling Expense

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Salaries | 31,196,715.19 | 32,470,002.40 |
| Marketing expense | 20,956,938.12 | 16,455,458.63 |

| | | |
|---|---|---|
| Depreciation charges | 2,064,707.92 | 2,417,716.59 |
| Business travel expenses | 3,153,666.05 | 3,481,536.38 |
| Office operating fee | 6,026,548.51 | 9,776,313.03 |
| Other | 4,218,138.06 | 5,097,062.74 |
| Total | 67,616,713.85 | 69,698,089.77 |

## 48. R&D Expense

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Labor cost | 47,820,351.39 | 56,204,005.76 |
| Material expense | 17,399,539.82 | 26,511,331.44 |
| Depreciation charges | 7,827,123.25 | 8,622,551.12 |
| Other | 9,552,584.07 | 9,108,731.66 |
| Total | 82,599,598.53 | 100,446,619.98 |

## 49. Financial Expenses

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Interest expense | 37,908,242.99 | 47,165,800.25 |
| Less: Capitalized interest expense | | |
| Interest income | -31,685,689.40 | -34,380,042.79 |
| Add: Capitalized interest income | | |
| Foreign exchange gains or losses | 70,461,738.86 | -24,018,113.45 |
| Less: Capitalized foreign exchange gains or losses | | |
| Commission charge and other | 3,290,209.75 | 3,429,784.88 |
| Total | 79,974,502.20 | -7,802,571.11 |

## 50. Other Income

Unit: RMB

| Sources | H1 2026 | H1 2025 |
|---|---|---|
| Government grants | 14,559,490.63 | 7,517,472.62 |
| Transfer of deferred revenue to government grants | 3,663,383.28 | 3,674,182.34 |
| Total | 18,222,873.91 | 11,191,654.96 |

## 51. Gain on Changes in Fair Value

Unit: RMB

| Sources of gain on changes in fair value | H1 2026 | H1 2025 |
|---|---|---|
| Held-for-trading financial assets | 4,290,051.63 | -68,635,671.97 |
| Of which: Gain on changes in fair value generated by derivative financial instruments | 1,144,584.23 | |
| Held-for-trading financial liabilities | -2,463,160.63 | 15,022,492.55 |
| Total | 1,826,891.00 | -53,613,179.42 |

## 52. Investment Income

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Long-term equity investments income accounted by equity method | -1,390,626.22 | 1,393,710.04 |
| Return on investment from disposal of long-term equity investment | 88,483,392.06 | |
| Investment income from disposal of held-for-trading financial asset | 28,901,215.83 | 196,029,346.86 |
| Interest income from debt investments during the holding period | | 2,120,807.51 |
| Investment income during the | 11,470,000.00 | |

| | | |
|---|---|---|
| holding period of financial assets measured at fair value through profit or loss | | |
| Total | 127,463,981.67 | 199,543,864.41 |

## 53. Credit Impairment Loss

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Loss on uncollectible notes receivable | -221,221.27 | -27,500.00 |
| Loss on uncollectible accounts receivable | -19,925,549.49 | -6,459,634.43 |
| Loss on uncollectible other receivables | 2,935,086.14 | -80,208.77 |
| Bad debt provision for dividend receivable | -517,420.48 | |
| Total | -17,729,105.10 | -6,567,343.20 |

## 54. Asset Impairment Loss

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| I. Inventory falling price loss and impairment provision for contract performance costs | -31,277,744.78 | -29,091,375.28 |
| IV. Fixed assets impairment losses | -3,022,005.09 | -4,509,218.17 |
| Total | -34,299,749.87 | -33,600,593.45 |

## 55. Asset Disposal Income

Unit: RMB

| Source of asset disposal income | H1 2026 | H1 2025 |
|---|---|---|
| Impairment loss on fixed assets ("-" for loss) | -1,144,249.34 | -459,023.14 |

## 56. Non-operating Income

Unit: RMB

| Item | H1 2026 | H1 2025 | Amount recorded in the current non-recurring profit or loss |
|---|---|---|---|
| Claim income | 7,537,342.76 | 6,576,005.30 | |
| Other | 3,857,533.89 | 2,201,405.95 | |
| Total | 11,394,876.65 | 8,777,411.25 | |

## 57. Non-operating Expense

Unit: RMB

| Item | H1 2026 | H1 2025 | Amount recorded in the current non-recurring profit or loss |
|---|---|---|---|
| Donations | 524,525.46 | 643,300.48 | |
| Other | 649,100.46 | 2,271,855.47 | |
| Total | 1,173,625.92 | 2,915,155.95 | |

## 58. Income Tax Expense

### (1) List of Income Tax Expense

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Current income tax expense | 27,464,192.72 | 57,174,040.37 |
| Deferred income tax expense | 12,816,167.90 | -668,120.35 |
| Total | 40,280,360.62 | 56,505,920.02 |

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

Unit: RMB

| Item | H1 2026 |
|---|---|
| Profit before tax | 291,383,910.06 |
| Current income tax expense accounted at statutory/applicable tax rate | 43,707,586.51 |
| Influence of applying different tax rates by subsidiaries | 3,072,326.98 |

| | |
|---|---|
| Influence of income tax before adjustment | 5,828,890.28 |
| Effect of deductible temporary differences or deductible losses on deferred income tax assets not recognized in the period | 3,040,890.10 |
| Non-taxable income from profit or loss of joint ventures and associated enterprises accounted by equity method | -7,381,425.68 |
| Influence of additional deduction of R&D expenses | -7,987,907.57 |
| Income tax expense | 40,280,360.62 |

## 59. Cash Flow Statement

### (1) Cash Related to Operating Activities

Cash generated from other operating activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Government grants | 11,854,238.82 | 2,252,168.15 |
| Claim income | 3,557,959.55 | 4,895,904.55 |
| Recovery of employee borrowings, guarantee deposit and cash deposit | 9,201,719.20 | 13,450,587.74 |
| Collection for employees | 1,393,256.05 | 1,929,902.80 |
| Other | 1,722,009.16 | 2,790,766.39 |
| Total | 27,729,182.78 | 25,319,329.63 |

Cash used in other operating activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Business travel charges | 15,351,121.94 | 18,229,532.20 |
| Insurance | 2,490,643.06 | 2,041,400.38 |
| Audit advisory announcement fee | 3,372,355.66 | 2,383,967.23 |
| Decoration fee | 746,169.10 | 1,061,443.64 |

| | | |
|---|---|---|
| Donations | 502,627.78 | 602,561.40 |
| Payment of employee borrowings, petty cash and deposit | 7,814,312.58 | 11,815,144.40 |
| Agency service fee | 11,971,763.93 | 21,250,368.31 |
| Other | 52,345,453.81 | 45,093,830.08 |
| Total | 94,594,447.86 | 102,478,247.64 |

**(2) Cash Related to Investing Activities**

Cash generated from other investing activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Interest income | 45,494,765.27 | 30,860,778.46 |
| Income from forward foreign exchange | 1,254,000.00 | |
| Recovery of fixed time deposits | 528,095,844.80 | 255,211,287.22 |
| Total | 574,844,610.07 | 286,072,065.68 |

Cash generated from important investing activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Government bond reverse repo | 2,985,138,000.00 | 1,383,943,000.00 |
| Structural deposits | 3,005,000,000.00 | 2,499,100,000.00 |
| Recovery of proceeds from industrial investment funds | 17,754,872.97 | 13,932,363.58 |
| Total | 6,007,892,872.97 | 3,896,975,363.58 |

Cash used in other investing activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Term deposits | 136,372,233.32 | 52,675,673.76 |

| | | |
|---|---|---|
| Payment of deposits | 8,036,867.45 | |
| Total | 144,409,100.77 | 52,675,673.76 |

Cash used in significant investing activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Government bond reverse repo | 3,037,606,000.00 | 1,534,114,000.00 |
| Structural deposits | 2,547,500,000.00 | 2,739,100,000.00 |
| Total | 5,585,106,000.00 | 4,273,214,000.00 |

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

Cash used in other financing activities

Unit: RMB

| Item | H1 2026 | H1 2025 |
|---|---|---|
| Repayment of lease liabilities and prepaid rent | 9,249,306.00 | 9,250,108.12 |
| Total | 9,249,306.00 | 9,250,108.12 |

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 | 652,836,872.89 | 415,685,606.36 | 201,297,718.56 | 765,677,155.36 | 13,668,383.05 | 490,474,659.40 |
| Long-term borrowings | 563,339,125.33 | 22,295,459.56 | 117,055.87 | 20,213,200.86 | | 565,538,439.90 |
| Bonds payable | 1,539,049,797.44 | | 14,572,795.26 | 1,551,787,492.70 | 1,835,100.00 | 0.00 |
| Lease liabilities | 90,245,619.80 | | 2,252,033.40 | 9,249,306.00 | 1,710,034.41 | 81,538,312.79 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total | 2,845,471,415.46 | 437,981,065.92 | 218,239,603.09 | 2,346,927,154.92 | 17,213,517.46 | 1,137,551,412.09 |

## 60. Supplemental Information for Cash Flow Statement

### (1) Supplemental Information for Cash Flow Statement

Unit: RMB

| Supplemental information | H1 2026 | Same period of last year |
|---|---|---|
| 1. Reconciliation of net profit to net cash flows generated from operating activities: | | |
| Net profit | 251,103,549.44 | 367,958,307.91 |
| Add: Provision for impairment of assets | 52,028,854.97 | 40,167,936.65 |
| Depreciation of fixed assets, oil-gas assets, and productive biological assets | 228,873,426.96 | 243,072,636.34 |
| Depreciation of right-of-use assets | 12,893,278.60 | 13,382,543.58 |
| Amortization of intangible assets | 5,340,812.47 | 5,493,695.85 |
| Amortization of long-term deferred expenses | 200,814.11 | 2,194,483.31 |
| Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative) | 1,144,249.34 | 459,023.14 |
| Losses from scrap of fixed assets (gains: negative) | | |
| Losses from changes in fair value (gains represented by “-”) | -1,826,891.00 | 53,613,179.42 |
| Financial expenses (gains: negative) | 76,684,292.45 | -11,232,355.99 |
| Investment loss (gains represented by “-”) | -127,463,981.67 | -199,543,864.41 |
| Decrease in deferred income tax assets (gains: negative) | 1,102,596.23 | 10,212,729.67 |
| Increase in deferred income tax liabilities (“-” means decrease) | 11,713,571.67 | -10,880,850.02 |
| Decrease in inventory (gains: negative) | -54,780,715.11 | 4,325,004.41 |
| Decrease in accounts receivable generated from operating activities (gains represented by “-”) | 62,707,078.22 | 41,054,910.16 |

| | | |
|---|---|---|
| Increase in accounts payable used in operating activities (decrease represented by "-") | -257,344,384.20 | -296,283,739.06 |
| Other | | |
| Net cash flow from operating activities | 262,376,552.48 | 263,993,640.96 |
| 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 changes in cash and cash equivalents: | | |
| Ending balance of cash | 1,239,006,483.12 | 1,470,044,640.51 |
| Less: Beginning balance of cash | 2,033,439,469.50 | 1,371,412,259.52 |
| Plus: Ending balance of cash equivalents | | |
| Less: Beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | -794,432,986.38 | 98,632,380.99 |

## (2) Cash and Cash Equivalents

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| I. Cash | 1,239,006,483.12 | 2,033,439,469.50 |
| Including: Cash on hand | 6,895,822.24 | 5,336,336.72 |
| Bank deposits on demand | 1,232,110,617.89 | 1,977,263,322.51 |
| Other monetary capital on demand | 42.99 | 50,839,810.27 |
| III. Ending balance of cash and cash equivalents | 1,239,006,483.12 | 2,033,439,469.50 |

## 61. 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 | 104,484,014.57 | 6.8109 | 711,630,174.83 |
| EUR | 69,374.74 | 7.7671 | 538,840.54 |
| HKD | 3,211,186.85 | 0.8686 | 2,789,236.90 |
| JPY | 9,974,023.00 | 0.0420 | 418,908.97 |
| GBP | 27.18 | 9.0145 | 245.01 |
| VND | 413,505,980,208.00 | 0.0002591 | 107,139,399.47 |
| MMK | 4,006,874,338.45 | 0.0032433 | 12,995,495.54 |
| AUD | 1,430,005.01 | 4.6804 | 6,692,995.45 |
| Accounts receivable | | | |
| Of which: USD | 104,284,410.00 | 6.8109 | 710,270,688.07 |
| EUR | 322,330.66 | 7.7671 | 2,503,574.47 |
| HKD | | | |
| JPY | 3,058,043.22 | 0.0420 | 128,437.82 |
| CHF | 8,426.00 | 8.4228 | 70,970.51 |
| VND | 37,166,952,469.00 | 0.0002591 | 9,629,957.38 |
| MMK | 939,888,180.00 | 0.0032433 | 3,048,339.33 |
| Other receivables: | | | |
| Of which: USD | 101,480.10 | 6.8109 | 691,170.81 |
| EUR | 33,200.00 | 7.7671 | 257,867.72 |
| HKD | 127,793.00 | 0.8686 | 111,001.00 |
| JPY | 1,722,000.00 | 0.0420 | 72,324.00 |
| VND | 74,733,004,177.00 | 0.0002591 | 19,363,321.38 |

| | | | |
|---|---|---|---|
| MMK | 166,234,080.00 | 0.0032433 | 539,146.99 |
| Accounts payable: | | | |
| Of which: USD | 10,788,377.62 | 6.8109 | 73,478,561.13 |
| EUR | 16,219.94 | 7.7671 | 125,981.90 |
| JPY | 4,854,510.00 | 0.0420 | 203,889.42 |
| CHF | 4,400.00 | 8.4228 | 37,060.32 |
| VND | 68,897,614,439.00 | 0.0002591 | 17,851,371.90 |
| MMK | 692,568,461.58 | 0.0032433 | 2,246,207.29 |
| Other payables: | | | |
| Of which: USD | 5,000.00 | 6.8109 | 34,054.50 |
| VND | 395,483,229.00 | 0.0002591 | 102,469.70 |
| MMK | 1,000,000.00 | 0.0032433 | 3,243.30 |
| Short-term loans: | | | |
| Of which: USD | 26,619,140.71 | 6.8109 | 181,300,305.46 |
| VND | 335,595,606,241.92 | 0.0002591 | 86,952,821.58 |
| Long-term borrowings | | | |
| Of which: USD | | | |
| EUR | | | |
| HKD | | | |

**(2) Notes to overseas entities including: For significant oversea 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, Vietnam, Singapore and Cambodia, and the recording currency was HKD for Hong Kong and USD for other overseas companies.

62. 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 | H1 2026 |
|---|---|
| Expense relating to short-term leases | 269,105.93 |
| Low-value lease expenses | |
| Variable lease payments that are not covered in the measurement of the lease liabilities | |
| Total | 269,105.93 |

**(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 | 1,881,329.46 | |
| Total | 1,881,329.46 | |

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 | 1,101,675.42 | 807,699.96 |
| The second year | 593,348.90 | 173,644.40 |
| The third year | 277,376.60 | 52,378.30 |
| Total undiscounted lease receipts after five years - - | 1,972,400.92 | 1,033,722.66 |

**(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 | H1 2026 | H1 2025 |
|---|---|---|
| Labor cost | 47,820,351.39 | 56,204,005.76 |
| Material expense | 17,399,539.82 | 26,511,331.44 |
| Depreciation charges | 7,827,123.25 | 8,622,551.12 |
| Other | 9,552,584.07 | 9,108,731.66 |
| Total | 82,599,598.53 | 100,446,619.98 |
| Of which: Expensed research and development expenditure | 82,599,598.53 | 100,446,619.98 |

### 1. Development Costs

| Item | Beginning balance | Increased amount of the Current Period | | Decreased amount for the Current Period | | | Ending balance |
|---|---|---|---|---|---|---|---|
| | | Internal development expenditures | Other increase | Recognized as intangible assets | Recognized in profit or loss for the current period | Other decrease | |
| R&D of products | | 82,599,598.53 | | | 82,599,598.53 | | |
| Total | | 82,599,598.53 | | | 82,599,598.53 | | |

# 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

Unit: RMB

| Name | Disposal consideration at the point of loss of control | Proportion of disposal at the point of loss of control | Method of disposal at the point of loss of control | Point of loss of control | Basis for determining the point of loss of control | Difference between the disposal consideration and the share of net assets of the subsidiary at the consolidated financial statement level corresponding to the disposed investment | Proportion of remaining equity at the date of loss of control | Carrying amount of remaining equity at the consolidated financial statement level at the date of loss of control | Fair value of remaining equity at the consolidated financial statement level at the date of loss of control | Gains or losses from remeasurement of remaining equity interest at fair value | Determination method and key assumptions for the fair value of the remaining equity interest at the consolidated financial statement level on the date of loss of control | Amount of other comprehensive income related to the equity investment in the former subsidiary transferred to investment income or retained earnings |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tianqin International Investment Co., Ltd. | 145,437,143.88 | 67.00% | Transfer and capital increase by the counterparty | April 30, 2026 | As the shareholding ratio decreased to 33% on April 30, 2026, and the Company no longer held more than half of the voting rights, it was unable to direct the relevant activities of the investee, and therefore lost control on April 30, 2026. | 61,375,118.45 | 33.00% | 86,720,811.41 | 116,950,347.36 | 30,229,535.95 | The determination method for the fair value of the remaining equity interest is the asset-based approach; key assumptions include the transaction assumption, open market assumption, asset going concern assumption, and special assumptions. | -10,917,935.22 |

Other notes

"Tianqin International Investment Co., Ltd." has now been renamed "Yuanjing Apparel Co., Ltd. (hereinafter referred to as 'Yuanjing Apparel')".

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:

During the Reporting Period, the overseas subsidiaries invested in linen yarn and apparel processing, and two newly established subsidiaries were included in the scope of consolidation.

## X Equity in Other Entities

### 1. Equity in Subsidiary

#### (1) Compositions of the Group

Unit: RMB

| Name | Registered capital | Main operating place | Registration place | Nature of business | Shareholding percentage (%) | | Way of gaining |
|---|---|---|---|---|---|---|---|
| | | | | | Directly | Indirectly | |
| Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter referred to as “Lu Thai (HK)”) | 128,771,800.00 | Hong Kong | Hong Kong | Wholesale and retail industry | 100% | | 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% | | Incorporated |
| LuFeng Company Limited (hereinafter referred to as “LuFeng Company”) | 706,160,000.00 | Zibo | Zibo | Manufacturing industry | 75% | | Incorporated |
| Zibo Luqun Textile Co., Ltd. (hereinafter referred to as “Luqun | 168,220,000.00 | Zibo | Zibo | Manufacturing industry | 100% | | Incorporated |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Textile”) | | | | | | | |
| Zibo Xinsheng Thermal Power Co., Ltd. (hereinafter referred to as “Xinsheng Thermal Power”) | 162,435,600.00 | Zibo | Zibo | Manufacturing industry | 100% | | 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% | 25% | 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% | | Incorporated |
| Beijing Zhishu Management Consulting Co., Ltd. (hereinafter referred to as “Zhishu Consulting”) | 2,000,000.00 | Beijing | Beijing | Management consulting | 100% | | Incorporated |
| Lu Thai Vocational Training School Huilin International | 100,000.00 | Zibo | Zibo | Skill training | 100% | | Incorporated |
| Zibo Banyang Villa Hotel Co., Ltd. (hereinafter referred to as “Banyang Villa”) | 5,000,000.00 | Zibo | Zibo | Catering services | 100% | | Incorporated |
| Hainan Huilin International Holdings Co., Ltd. (“Huilin International”) | 880,000,000.00 | Wenchang | Wenchang | Modern service industry | 100% | | Incorporated |
| TP Company | 398,203,876.00 | Singapore | Singapore | Wholesale textiles and leather, holding company | | 100% | Incorporated |
| Vanguard Apparel Co., Ltd. (hereinafter referred to as “Vanguard | 62,337,887.93 | Burma | Burma | Manufacturing industry | 100% | | Incorporated |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Apparel") | | | | | | | |
| Tianyi Apparel Co., Ltd. (hereinafter referred to as "Tianyi Apparel") | 10,719,000.00 | Burma | Burma | Manufacturing industry | 100% | | Incorporated |
| Yuanhui Dividend No. 2 Private Securities Investment Fund ("Yuanhui Fund") | | | | | 100% | | 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 | 25.00% | -2,824,063.75 | | 316,217,341.48 |

**(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 | 962,728,063.88 | 524,468,227.00 | 1,487,196,290.88 | 155,880,445.25 | 59,949,995.96 | 215,830,441.21 | 851,605,157.37 | 545,711,428.13 | 1,397,316,585.50 | 69,938,570.13 | 46,272,418.96 | 116,210,989.09 |

Unit: RMB

| Name | H1 2026 | | | | H1 2025 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 417,083,730.46 | -9,946,494.10 | -9,937,919.04 | -113,468,698.28 | 493,360,293.18 | 28,443,221.22 | 28,381,052.29 | -55,574,848.58 |

## 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 | |
| I. Joint ventures | | | | | | |
| II. Associated enterprises | | | | | | |
| Haohong Investment | Ningbo | Ningbo | Equity investment | 33.33% | | Equity method |
| Haoying Investment | Ningbo | Ningbo | Equity investment | 47.62% | | Equity method |
| Yuanjing Apparel | Singapore | Singapore | Equity investment | | 33.00% | 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 | Yuanjing Apparel | Haohong Investment | Haoying Investment | Yuanjing Apparel |
| Current assets | 57,929,494.87 | 174,500,682.49 | 244,598,321.22 | 57,988,670.36 | 174,505,531.00 | |
| Non-current assets | | | 94,497,483.20 | | | |
| Total assets | 57,929,494.87 | 174,500,682.49 | 339,095,804.42 | 57,988,670.36 | 174,505,531.00 | |
| Current liabilities | 3,253,866.05 | | 76,328,084.43 | 3,253,866.05 | | |
| Non-current liability | | | | | | |
| Total | 3,253,866.05 | | 76,328,084.43 | 3,253,866.05 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| liabilities | | | | | | |
| Net assets | 54,675,628.82 | 174,500,682.49 | 262,767,719.99 | 54,734,804.31 | 174,505,531.00 | |
| Equity of non-controlling interests | | | | | | |
| Equity attributable to shareholders of the parent company | 54,675,628.82 | 174,500,682.49 | 262,767,719.99 | 54,734,804.31 | 174,505,531.00 | |
| Net assets shares calculated at the shareholding proportion | 18,228,196.67 | 83,097,225.00 | 86,713,347.60 | 18,247,919.86 | 83,099,533.86 | |
| Adjusted items | | | | | | |
| - Goodwill | | | | | | |
| - Internal unrealized profit | | | | | | |
| - Others | | -1,469,074.42 | 32,851,789.43 | | -1,469,536.20 | |
| Carrying value of investment to associated enterprises | 18,228,196.67 | 81,628,150.58 | 119,565,137.03 | 18,247,919.86 | 81,629,997.66 | |
| Fair value of equity investments in associated enterprises with publicly quoted prices | | | | | | |
| Operating revenue | | | | | | |
| Net profit | -59,175.49 | -4,848.51 | 12,105,916.77 | 4,233,797.47 | -45,712.59 | |
| Net profit from discontinued operations | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Other comprehensive income | | | | | | |
| Total comprehensive income | -59,175.49 | -4,848.51 | 12,105,916.77 | 4,233,797.47 | -45,712.59 | |
| 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 | H1 2026 | H1 2025 |
|---|---|---|
| Other income | 18,222,873.91 | 11,191,654.96 |
| Financial expenses | 0.00 | 126,500.01 |
| Total | 18,222,873.91 | 11,318,154.97 |

## XII Risks Associated with Financial Instruments

### 1. Various Types of Risks Arising from Financial Instruments

The Company's major financial instruments include monetary assets, notes receivable, accounts receivable, accounts receivable financing, other receivables, other current assets, trading financial assets, other non-current financial assets, other non-current assets - time deposits over one year, accounts payable, other payables, short-term loan, trading financial liabilities, 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 major risks caused by financial instruments of the Company are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The 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 Board of Directors shall be responsible for planning and establishing the risk management framework for the Company, formulating 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. 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 26.76% of the total amount of accounts receivable of the Company (23.88% in 2025). As for other receivables, the top 5 of the ending balance according to the arrears party was accounted for 66.84% of the total amount of other receivables of the Company (75.79% in 2025).

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 | 27,072.41 | 68,432.76 |
| Bond investment due within one year | | |
| **Total** | **27,072.41** | **68,432.76** |

(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 (Unit: RMB):

| **Item** | **Ending balance** | | | |
|---|---|---|---|---|
| | **Within one year** | **Within one to five years** | **Over five years** | **Total** |
| Financial liabilities: | | | | |

| | | | | |
|---|---|---|---|---|
| Short-term loans | 270,834,531.20 | | | 270,834,531.20 |
| Accounts payable | 215,170,498.75 | | | 215,170,498.75 |
| Other payables | 21,329,058.52 | | | 21,329,058.52 |
| Long-term borrowings | 399,974,992.44 | 157,830,294.66 | | 557,805,287.10 |
| Bonds payable | | | | 0.00 |
| Lease liabilities | 16,807,581.83 | 44,488,233.75 | 39,940,773.77 | 101,236,589.35 |
| **Total** | **924,116,662.74** | **202,318,528.41** | **39,940,773.77** | **1,166,375,964.92** |

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 (Unit: RMB):

| **Item** | **Closing balance of last year** | | | |
|---|---|---|---|---|
| | **Within one year** | **Within one to five years** | **Over five years** | **Total** |
| Financial liabilities: | | | | |
| Short-term loans | 657,674,037.79 | | | 657,674,037.79 |
| Accounts payable | 232,348,158.30 | | | 232,348,158.30 |
| Other payables | 17,580,817.40 | | | 17,580,817.40 |
| Long-term borrowings | 321,424,010.14 | 253,279,126.91 | | 574,703,137.05 |
| Bonds payable | 1,399,837,000.00 | | | 1,399,837,000.00 |
| Lease liabilities | 19,781,352.15 | 49,311,573.87 | 42,786,790.37 | 111,879,716.39 |
| **Total** | **2,648,645,375.78** | **302,590,700.78** | **42,786,790.37** | **2,994,022,866.93** |

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 | End of the current period | End of the previous year |
|---|---|---|
| Fixed-interest financial instruments | | |
| Including: Short-term loans | 34,705.98 | 61,552.74 |
| Long-term borrowings matured within one year | | |
| Long-term borrowings | | |
| Current portion of bonds payable | - | 153,904.98 |
| **Total** | **34,705.98** | **215,457.72** |
| Floating-interest financial instruments | | |
| Financial assets | 27,072.41 | 68,432.76 |
| Including: Held-for-trading financial assets | 27,072.41 | 68,432.76 |
| Debt investment due within one year | | |
| Financial liabilities | 56,553.84 | 58,164.86 |

| | | |
|---|---|---|
| Including: Short-term loans | | 1,830.95 |
| Long-term borrowings matured within one year | 39,580.72 | 31,542.64 |
| Long-term borrowings | 16,973.12 | 24,791.27 |
| **Total** | **83,626.25** | **126,597.62** |

On June 30, 2026, 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 RMB4,784,800 (compared to RMB4,962,300 as of the end of last year).

For financial instruments held at the balance sheet date that expose the Company to fair value interest rate risk, the impact on net 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.

Exchange rate 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, 2026, 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 amount | Beginning amount | Ending amount | Beginning amount |
| USD | 25,481.29 | 64,491.63 | 142,259.20 | 214,525.98 |
| EUR | 12.60 | 37.71 | 330.03 | 311.65 |
| JPY | 20.39 | 28.75 | 61.97 | 23.03 |
| HKD | | | 290.02 | 157.13 |
| GBP | | | 0.02 | 0.03 |

| | | | | |
|---|---|---|---|---|
| CHF | 3.71 | 3.89 | 7.10 | |
| VND | 10,490.67 | 7,960.70 | 13,613.27 | 11,116.39 |
| MMK | 224.95 | 164.13 | 1,658.30 | 1,193.24 |
| KHR | | | | 157.87 |
| AUD | | | 669.30 | |
| Total | 36,233.61 | 72,686.81 | 158,889.21 | 227,485.32 |

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 | Reporting period | | H1 2025 | |
|---|---|---|---|---|
| | Impact on total comprehensive income | Impact on shareholders' equity | Impact on total comprehensive income | Impact on shareholders' equity |
| 10% appreciation against RMB | -10,836.63 | -10,836.63 | -8,467.99 | -8,467.99 |
| 10% depreciation against RMB | 10,836.63 | 10,836.63 | 8,467.99 | 8,467.99 |

**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, 2026, the asset-liability ratio was 17.54% of the Company (28.19% on December 31, 2025).

**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 | 68,160,444.16 | 623,573,742.67 | | 691,734,186.83 |
| 1. Financial assets at fair value through profit or loss | 68,160,444.16 | 623,573,742.67 | | 691,734,186.83 |
| (1) Investment in debt instruments | 68,160,444.16 | 202,563,642.19 | | 270,724,086.35 |
| (2) Equity investments | | 419,219,913.09 | | 419,219,913.09 |
| (3) Derivative financial assets | | 1,790,187.39 | | 1,790,187.39 |
| The total amount of assets consistently measured at fair value | 68,160,444.16 | 623,573,742.67 | 93,054,144.86 | 784,788,331.69 |
| vi. Held-for-trading financial liabilities | | 2,463,160.63 | | 2,463,160.63 |
| Derivative financial liabilities | | 2,463,160.63 | | 2,463,160.63 |
| 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 and whose variations are included in the current profit and loss, and the investment cost is deemed as the fair value of the financial asset.

For accounts receivables financing at fair value and the changes included in other comprehensive income, its fair value shall be determined by the discount cash flow method.

**5. 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 assets, other non-current assets - time deposits, notes receivable, accounts receivable, other receivables, short-term loan, notes payable, accounts payables, other payables, current portion of long-term borrowings, current portion of bonds payable, 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 |
| Zibo Lumei Economic and Trade Co., Ltd. (hereinafter referred to as “Lumei Economic and Trade”) | 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 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, Li Kun | 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 | H1 2026 | The approval trade credit | Whether exceed trade credit or not | H1 2025 |
|---|---|---|---|---|---|
| Limin Purified Water | Recycled water, sewage treatment | 12,982,517.80 | 14,850,000.00 | No | 11,966,867.49 |
| Lurui Chemical, Donghai International, Hesheng Industry and Trade | Auxiliaries | 64,339,069.37 | 69,800,000.00 | No | 57,785,824.90 |
| Chengshun Hosiery and Luqun Land | Paper core, hosiery, purchase of materials such as hose, electrical, etc. | 3,254,347.03 | 4,020,833.33 | No | 3,039,439.51 |
| Chengshun Economic and Trade | Supermarket retail | 1,319,870.84 | 1,560,000.00 | No | 903,874.20 |
| Lucheng Petrochemical Petrochemical | Oil | 1,713,218.26 | 1,990,000.00 | No | 1,721,161.37 |
| Chengshun Petrochemical | Oil, natural gas | 22,652,815.39 | 31,400,000.00 | No | 21,651,580.57 |

Information of sales of goods and provision of labor service

Unit: RMB

| Related party | Content | H1 2026 | H1 2025 |
|---|---|---|---|
| Chengshun Hosiery | Yarn, yarn-dyed fabric, etc. | 175,796.37 | 170,156.08 |
| Chengshun Hosiery | Materials, electricity, running water, heating, steam | 114,546.76 | 108,565.44 |
| Chengshun Economic and | Materials, electricity, running water, yarn, garments, food, | 252,193.50 | 104,193.73 |

| | | | |
|---|---|---|---|
| Trade | heating, steam | | |
| Lucheng Petrochemical Petrochemical | Materials, electricity | 6,750.66 | 7,843.35 |
| Limin Purified Water | Materials, electricity, garments, meal service in classes, foods | 2,683,952.17 | 2,936,176.07 |
| Lurui Chemical | Garments, fabrics, foods | 129,037.82 | 10,394.59 |
| Lujia Property | Materials, garments | 32,265.33 | 22,153.93 |
| Xirui New Material | Catering and accommodation service | 4,756.60 | 5,107.54 |
| Xirui New Material | Materials, garments, etc. | 25,164.84 | 27,351.24 |

**(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 | 50,636.00 |
| Chengshun Hosiery | Rent of houses and buildings | 50,114.28 | 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | H1 2026 | H1 2025 | H1 2026 | H1 2025 | H1 2026 | H1 2025 | H1 2026 | H1 2025 | H1 2026 | H1 2025 |
| Lucheng Textile | Rent of land | | | | | 1,807,428.60 | 1,807,428.60 | 375,449.43 | 440,389.20 | | |
| Lucheng Textile | Rent of gas station | | | | | 116,571.42 | 116,571.42 | 44,208.33 | 47,489.98 | | |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Lucheng Textile | Rent of buildings | | | | | 5,511,114.30 | 5,511,114.30 | 752,956.82 | 931,811.76 | | |
| Luqun Land | Rent of land and buildings | | | | | 985,714.26 | 985,714.26 | 506,632.13 | 528,358.35 | | |

## 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 | 831,856.08 | 708,092.56 |
| Accounts payable | Tung Hoi International | 9,629,387.46 | 8,053,417.70 |
| Accounts payable | Hesheng Chemical Trading | 975,295.00 | 920,603.97 |

XV Commitments and Contingencies

## 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) | 15,278.62 | 9,328.14 |

## 2. Contingency

(1) Significant Contingencies Existing at the Balance Sheet Date

None.

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

There was no significant contingency in the Company to disclose.

## XVI 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, 2026, the 12th meeting of the 11th Board of Directors of the Company approved the profit distribution plan for H1 2026 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 817,525,607 shares. The total amount of dividends calculated on this basis is RMB81,752,560.70. At the 2025 Annual Shareholders' Meeting held on May 8, 2026, the Company authorized the Board of Directors to formulate and implement the 2026 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, 2026, the Company has no other events after balance sheet date that should be disclosed.

## XVII 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) | 306,275,198.19 | 447,952,834.23 |
| One to two years | 2,701,785.30 | 2,058,512.47 |
| Two to three years | 1,079,006.73 | 798,993.21 |

| | | |
|---|---|---|
| More than three years | 651,660.00 | 795,210.00 |
| Three to four years | 457,320.00 | 550,870.00 |
| Four to five years | 100,763.00 | 107,200.00 |
| Over five years | 93,577.00 | 137,140.00 |
| Total | 310,707,650.22 | 451,605,549.91 |

## (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 | 2,472,262.99 | 0.80% | 2,472,262.99 | 100.00% | | 2,675,133.33 | 0.59% | 2,675,133.33 | 100.00% | |
| Of which: | | | | | | | | | | |
| Accounts receivable withdrawal of bad debt provision of by group | 308,235,387.23 | 99.20% | 23,243,959.40 | 7.54% | 284,991,427.83 | 448,930,416.58 | 99.41% | 27,576,420.06 | 6.14% | 421,353,996.52 |
| Of which: | | | | | | | | | | |
| Group 1: Undue accounts (L/C) | 41,086,828.41 | 13.22% | | | 41,086,828.41 | 58,751,484.97 | 13.01% | | | 58,751,484.97 |
| Group 2: Undue accounts (excluding L/C) | 205,102,723.71 | 66.01% | 9,229,622.57 | 4.50% | 195,873,101.14 | 337,021,632.71 | 74.63% | 15,165,973.47 | 4.50% | 321,855,659.24 |
| Group 3: Overdue amounts | 62,045,835.11 | 19.97% | 14,014,336.83 | 22.59% | 48,031,498.28 | 53,157,298.90 | 11.77% | 12,410,446.59 | 23.35% | 40,746,852.31 |
| Total | 310,707,650.22 | 100.00% | 25,716,222.39 | 8.28% | 284,991,427.83 | 451,605,549.91 | 100.00% | 30,251,553.39 | 6.70% | 421,353,996.52 |

The category name of bad debt provision separately accrued: June 2026

Unit: RMB

| Name | Beginning balance | | Ending balance | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision | Withdrawal proportion | Reason for withdraw |
| Customer 1 | 1,600,187.96 | 1,600,187.96 | 1,443,782.86 | 1,443,782.86 | 100.00% | Customer in financial difficulty |
| Customer 2 | 640,627.61 | 640,627.61 | 598,726.94 | 598,726.94 | 100.00% | Customer in financial difficulty |
| Zhuhai Suichang Technology Co., Ltd. | 327,314.12 | 327,314.12 | 327,314.12 | 327,314.12 | 100.00% | Customer in financial difficulty |
| Customer 3 | 107,003.64 | 107,003.64 | 102,439.07 | 102,439.07 | 100.00% | Customer in financial difficulty |
| Total | 2,675,133.33 | 2,675,133.33 | 2,472,262.99 | 2,472,262.99 | | |

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 | Other | |
| Bad debt provision | 30,251,553.39 | -4,549,222.22 | -17,866.76 | 3,975.54 | | 25,716,222.39 |
| Total | 30,251,553.39 | -4,549,222.22 | -17,866.76 | 3,975.54 | | 25,716,222.39 |

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

Unit: RMB

| Item | Written-off amount |
|---|---|
| Written-off accounts receivable | 3,975.54 |

### (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 |
|---|---|---|---|---|---|
| Summary of the top 5 of the ending balance of the accounts receivable and the contract assets | 103,836,500.84 | | 103,836,500.84 | 33.42% | 8,762,850.40 |
| Total | 103,836,500.84 | | 103,836,500.84 | 33.42% | 8,762,850.40 |

## 2. Other Receivables

Unit: RMB

| Item | Ending balance | Beginning balance |
|---|---|---|
| Other receivables | 1,602,342,122.27 | 1,439,542,031.30 |
| Total | 1,602,342,122.27 | 1,439,542,031.30 |

### (1) Other Receivables

### 1) Other receivables classified by nature

Unit: RMB

| Nature | Ending carrying amount | Beginning carrying amount |
|---|---|---|
| Intercourse funds | 1,594,782,873.45 | 1,429,802,870.14 |
| Export rebates | 461,239.99 | 2,938,078.95 |
| Payment on behalf | 6,963,204.88 | 6,556,079.00 |
| Guarantee deposit and cash deposit | 2,562,193.68 | 1,793,585.03 |
| Borrowings and petty cash | 1,170,681.14 | 940,291.04 |
| Other | 3,930,986.36 | 3,958,251.59 |

| | | |
|---|---|---|
| Total | 1,609,871,179.50 | 1,445,989,155.75 |

## 2) Disclosure by aging

Unit: RMB

| Aging | Ending carrying amount | Beginning carrying amount |
|---|---|---|
| Within one year (including one year) | 1,342,678,684.14 | 1,135,915,012.24 |
| One to two years | 18,932,826.13 | 237,366,753.23 |
| Two to three years | 213,059,521.47 | 26,699,785.22 |
| More than three years | 35,200,147.76 | 46,007,605.06 |
| Three to four years | 20,529,788.75 | 12,651,840.00 |
| Four to five years | 12,313,620.00 | 31,109,026.05 |
| Over five years | 2,356,739.01 | 2,246,739.01 |
| Total | 1,609,871,179.50 | 1,445,989,155.75 |

## 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 | 1,609,871,179.50 | 100.00% | 7,529,057.23 | 0.47% | 1,602,342,122.27 | 1,445,989,155.75 | 100.00% | 6,447,124.45 | 0.45% | 1,439,542,031.30 |
| Of which: | | | | | | | | | | |
| Bad debt provision in Stage 1 | 1,605,578,925.25 | 99.73% | 5,324,151.21 | I. Restricted shares | 1,600,254,774.04 | 1,443,161,404.69 | 99.80% | 4,957,335.34 | 0.34% | 1,438,204,069.35 |
| Bad debt provision in Stage 2 | 4,079,242.20 | 0.25% | 1,991,893.97 | 48.83% | 2,087,348.23 | 2,614,739.01 | 0.18% | 1,276,777.06 | 48.83% | 1,337,961.95 |
| Bad debt provision | 213,012.05 | 0.01% | 213,012.05 | 100.00% | 0.00 | 213,012.05 | 0.02% | 213,012.05 | 100.00% | 0.00 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| in Stage 3 | | | | | | | | | | |
| Total | 1,609,871,179.50 | 100.00% | 7,529,057.23 | 0.47% | 1,602,342,122.27 | 1,445,989,155.75 | 100.00% | 6,447,124.45 | 0.45% | 1,439,542,031.30 |

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, 2026 | 4,957,335.34 | 1,276,777.06 | 213,012.05 | 6,447,124.45 |
| Balance of January 1, 2026 in the current period | | | | |
| Withdrawal of the Current Period | 366,815.87 | 715,116.91 | | 1,081,932.78 |
| Balance of June 30, 2026 | 5,324,151.21 | 1,991,893.97 | 213,012.05 | 7,529,057.23 |

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 | Other | |
| Bad debt provision | 6,447,124.45 | 1,081,932.78 | | | | 7,529,057.23 |
| Total | 6,447,124.45 | 1,081,932.78 | | | | 7,529,057.23 |

### 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 | Intercourse funds | 862,577,696.48 | Within one year; one to two years; two to three years | 53.58% | 2,587,733.09 |
| XZ Company | Intercourse funds | 252,847,769.53 | Within one year | 15.71% | 758,543.31 |
| Shandong Lulian New Materials Co., Ltd. | Intercourse funds | 134,362,135.50 | Within one year | 8.35% | 403,086.41 |
| Zibo Xinsheng Thermal Power Co., Ltd. | Intercourse funds | 113,000,000.00 | Within one year | 7.02% | 339,000.00 |
| ZJ Company | Intercourse funds | 108,675,603.57 | Within one year | 6.75% | 326,026.81 |
| Total | | 1,471,463,205.08 | | 91.41% | 4,414,389.62 |

### 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 | 3,748,363,071.28 | 0.00 | 3,748,363,071.28 | 3,766,117,944.25 | | 3,766,117,944.25 |
| Investment to joint ventures and associated enterprises | 99,856,347.25 | | 99,856,347.25 | 99,877,917.52 | | 99,877,917.52 |
| Total | 3,848,219,418.53 | | 3,848,219,418.53 | 3,865,995,861.77 | | 3,865,995,861.77 |

## (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 | Other | | |
| 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 | |
| VACL | 62,337,956.32 | | | | | | 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 Huilin International | 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 | | | 17,754,872.97 | | | 382,245,127.03 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total | 3,766,117,944.25 | | | 17,754,872.97 | | | 3,748,363,071.28 | 0.00 |

## (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 | Other | | |
| I. Joint ventures | | | | | | | | | | | | |
| II. Associated enterprises | | | | | | | | | | | | |
| Haohong Investment | 18,247,919.86 | | | | -19,723.19 | | | | | | 18,228,196.67 | |
| Haoying Investment | 81,629,997.66 | | | | -1,847.08 | | | | | | 81,628,150.58 | |
| Subtotal | 99,877,917.52 | | | | -21,570.27 | | | | | | 99,856,347.25 | |
| Total | 99,877,917.52 | | | | -21,570.27 | | | | | | 99,856,347.25 | |

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 | H1 2026 | | H1 2025 | |
|---|---|---|---|---|
| | Operating revenue | Cost of sales | Operating revenue | Cost of sales |
| Main operations | 1,133,269,156.96 | 912,946,011.38 | 1,279,023,281.60 | 976,688,435.81 |
| Other operations | 72,387,748.54 | 67,694,827.49 | 101,627,992.90 | 70,820,305.91 |
| Total | 1,205,656,905.50 | 980,640,838.87 | 1,380,651,274.50 | 1,047,508,741.72 |

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 | H1 2026 | H1 2025 |
|---|---|---|
| Long-term equity investments income accounted by cost method | 108,926,000.00 | 325,000,000.00 |
| Long-term equity investments income accounted by equity method | -21,570.27 | 1,393,710.04 |
| Return on investment from holding of held-for-trading financial asset | 6,379,500.00 | |
| Investment income from disposal of held-for-trading financial asset | 9,120,054.45 | 199,267,507.77 |
| Interest income from debt investments during the holding period | 28,836,283.25 | 2,120,807.51 |
| Total | 153,240,267.43 | 527,782,025.32 |

XVIII. 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 | 86,960,374.41 | |
| 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) | 16,253,060.02 | |
| 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) | 41,178,906.33 | |
| Non-operating income and expense other than the above | 10,598,160.74 | |
| Less: Income tax effects | 17,543,514.96 | |

| | | |
|---|---|---|
| Non-controlling interests effects (after tax) | 1,104,665.22 | |
| Total | 136,342,321.32 | -- |

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 | 2.55% | 0.31 | 0.29 |
| Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss | 1.18% | 0.14 | 0.14 |

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

August 29, 2026