



LU THAI TEXTILE CO., LTD.

ANNUAL REPORT 2018

March 2019

Part I Important Notes, Table of Contents and Definitions

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

Liu Zibin, the Company’s legal representative, Zhang Hongmei, the Company’s Chief Accountant, and Zhang Keming, the Company’s Financial Manager hereby guarantee that the Financial Statements carried in this Report are factual, accurate and complete.

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

The Company has described in detail in this Report the possible risks. Please refer to the contents about the major risks and countermeasures in “Outlook of the Company’s future development” in “Part IV Operating Performance Discussion and Analysis” of this Report.

Securities Times, Shanghai Securities News, China Securities Journal, Ta Kung Pao (HK) and www.cninfo.com.cn have been designated by the Company for its information disclosure in 2019. 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 pay attention to investment risks.

The Board has approved a final dividend plan as follows: based on the 858,121,541 shares, a cash dividend of RMB5.00 (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.

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Definitions

Term	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	The Supervisory Committee of Lu Thai Textile Co., Ltd.
CSRC	The China Securities Regulatory Commission
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “Company Law”	The “Company Law of the People’s Republic of China”
The “Securities Law”	The “Securities Law of the People’s Republic of China”
The “Reporting Period” or “Current Period”	The period from 1 January 2018 to 31 December 2018

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	LTTC, LTTC-B	Stock code	000726, 200726
Changed stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	鲁泰纺织股份有限公司		
Abbr.	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	LTTC		
Legal representative	Liu Zibin		
Registered address	No. 11, Mingbo Road, High-tech Industry Development Zone, Zibo, Shandong, P.R.China		
Zip code	255086		
Office address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China; No. 11, Mingbo Road, High-tech Industry Development Zone, Zibo, Shandong, P.R.China		
Zip code	255100; 255086		
Company website	www.lttc.com.cn		
Email address	lttc@lttc.com.cn		

II Contact Information

	Board Secretary	Securities Representative
Name	Qin Guiling	Zheng Weiying and Li Kun
Address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China
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III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for information disclosure	Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao (HK)
Website designated by CSRC for publication of this Report	www.cninfo.com.cn

Place where this Report is lodged	The Securities Department of the Company
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IV Change to Company Registered Information

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

V Other Information

The independent audit firm hired by the Company:

Name	Ruihua Certified Public Accountants LLP
Office address	5-11F, West Tower, China Overseas Property Plaza, Block No. 7, Compound No. 8, Xibinhe Road, Yongdingmen, Dongcheng District, Beijing, P.R.C.
Accountants writing signatures	Wang Chuanshun and Cui Xiaoli

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

VI Key Financial Information

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

☐ Yes ☒ No

	2018	2017	2018-over-2017 change (%)	2016
Operating revenue (RMB)	6,879,058,813.93	6,409,224,044.97	7.33%	5,990,493,909.36
Net profit attributable to the listed company's shareholders (RMB)	811,526,477.83	841,150,934.75	-3.52%	808,760,025.91
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	805,197,824.28	780,637,833.47	3.15%	762,785,364.02
Net cash generated from/used in operating activities (RMB)	1,430,341,663.16	1,070,510,653.43	33.61%	1,314,732,284.45
Basic earnings per share (RMB/share)	0.90	0.91	-1.10%	0.85
Diluted earnings per share (RMB/share)	0.90	0.91	-1.10%	0.85
Weighted average return on equity (%)	11.24%	11.87%	-0.63%	11.70%
	31 December	31 December 2017	Change of 31 December 2018 over	31 December

	2018		31 December 2017 (%)	2016
Total assets (RMB)	10,537,759,811.84	10,170,624,027.75	3.61%	9,464,604,315.39
Equity attributable to the listed company's shareholders (RMB)	7,146,548,467.86	7,230,942,770.16	-1.17%	6,970,913,125.59

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

1. Net Profit and Equity under CAS and IFRS

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

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

☐ Applicable ☒ Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,519,803,691.24	1,760,604,084.58	1,743,184,011.30	1,855,467,026.81
Net profit attributable to the listed company's shareholders	159,278,371.57	218,077,587.45	209,540,056.51	224,630,462.30
Net profit attributable to the listed company's shareholders before exceptional items	138,044,830.06	228,388,087.15	224,130,296.96	214,634,610.11
Net cash generated from/used in operating activities	84,118,827.13	613,665,883.64	425,367,905.98	307,189,046.41

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

☐ Yes ☒ No

IX Exceptional Gains and Losses

☒ Applicable ☐ Not applicable

Unit: RMB

Item	2018	2017	2016	Note
Gain or loss on disposal of non-current assets (inclusive of impairment)	20,670,427.42	-1,326,737.85	-8,321,693.49	

allowance write-offs)				
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	63,680,098.12	66,031,583.92	64,121,633.01	
Current profit or loss on subsidiaries obtained in business combinations involving enterprises under common control from the period-beginning to combination dates, net		4,145,908.17		
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-63,632,606.67	4,794,598.32	3,212,471.16	
Non-operating income and expense other than the above	2,784,021.34	4,638,779.84	3,925,471.62	
Less: Income tax effects	6,656,476.16	8,690,224.28	3,065,544.25	
Non-controlling interests effects (net of tax)	10,516,810.50	9,080,806.84	13,897,676.16	
Total	6,328,653.55	60,513,101.28	45,974,661.89	--

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

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

Is the Company subject to any industry-specific disclosure requirements?

No.

No changes occurred to the Company's core businesses, primary products, business models and major growth drivers in the Reporting Period.

Lu Thai has always adhered to its mission of “creating wealth, contributing to the society, clothing the world and weaving our way to every corner of the globe”, as well as to its values of “people foremost policy, rigorous scientific attitude, client oriented principle and integrity for win-win outcome” for a long time. It is devoted to improving and expanding its industrial chain, making it a renowned textile and garment business group combining cotton growing, spinning, bleaching and dyeing, neatening, testing, garment making and marketing. Lu Thai produces and sells middle and high-grade yarn-dyed fabric and dyeing fabric for shirts and garment. It claimed its fame for its comprehensive management, R&D ability, advanced technology, international development plan and stable quality. Moreover, it also attaches great importance to improve the added value of its products, explore the emerging market and renew its service philosophy. With natural fabric as its flagship, multi-component functional fiber fabric as its spearhead and wash-and-wear non-ironing technology as its core competency, the Company kept a watchful eye on the latest consumption trend. Great attention was paid to improve its healthy product series so as to satisfy the needs from the diversified and personalized market.

Lu Thai has become the world's largest high-grade yarn dyed fabric producer and a world-class premium shirt provider. It had paved its development pattern featured in going green, low-carbon growth, science and technology and humanism. Its operation performance was always among the top comparing to its peers. 70% of Lu Thai's products are exported to over 30 countries and regions including America, the EU and Japan, of which more than 70% is under the Company's own brand. So far, the Company has taken up around 18% of the world market of yarn dyed fabric for medium- and high-end shirts.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Construction in progress	The amount as at 31 December 2018 was RMB337,230,646.42, up 57.34% from the beginning amount, primarily driven by a larger construction investment in and more to-be-installed equipment of the second phase of the Lu Thai (Vietnam) project.

2. Major Assets Overseas

☒ Applicable ☐ Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk (yes/no)
Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	158,113,858.58	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	4,021,080.04	2.05%	No
Lu Thai (America) Textile Co., Ltd.	Incorporated	11,650,032.05	New York	Marketing	Main management personnel sent by the Company as the parent	-433,472.32	0.15%	No
Lu Thai (Cambodia) Textile Co., Ltd.	Incorporated	151,429,516.55	Svay Rieng	Manufacturing	Main management personnel sent by the Company as the parent	14,229,575.15	1.96%	No
Lu Thai (Burma) Textile Co., Ltd.	Incorporated	75,062,596.79	Rangoon	Manufacturing	Main management personnel sent by the Company as the parent	617,677.23	0.97%	No
Lu Thai (Vietnam) Textile Co., Ltd.	Incorporated	1,604,398,322.16	Tay Ninh	Manufacturing	Main management personnel sent by the Company as the parent	77,297,740.72	20.77%	No
Lu An Garments Co., Ltd.	Incorporated	150,804,573.61	Anjiang, Vietnam	Manufacturing	Main management personnel sent by the Company as the parent	-5,389,142.26	1.95%	No

III Core Competitiveness Analysis

Is the Company subject to any industry-specific disclosure requirements?

No.

The comprehensive management ability, research and development ability, technological accumulation and global planning of the Company's whole industry chain are the Company's core competitiveness, which did not change during the Reporting Period.

1. A complete industrial chain and a global network: The Company boasts a complete industrial chain from cotton planting, yarning, dyeing, weaving and post-processing to cloth manufacturing, and thus enjoys the cost advantage brought by complete steps for producing high-end dyed textile. The Company has set up production bases in Cambodia, Burma, Vietnam, etc., a design agency in Italy and a market service agency in America, which helps give full play to its international resources, form a global business network and solidify its internationally leading position as a yarn-dyed fabric maker.
2. The sound comprehensive management capacity and an efficient quality control system: The Company has passed ISO9000 quality management system, ISO14000 environmental management system, OHSAS18000 occupational health safety management system, and SA8000 social accountability management system successively from 1995. Ever since 2007, the Company has also passed WRAP: 1999 global garment production social accountability standard, C-TPAT: 2004 anti-terrorism standard, OE100 and GOTS organic cotton system certification and CNAS national laboratory recognition, to realize the internationalization and standardization of the Company's management. In order to pursue the operational management of performance excellence and better the Company's performance and capability, the Company has gradually introduced GB/T19580-2004 *-Standards for Performance Excellence Evaluation*, created "Great Quality" system and promoted management innovation, to ensure the Company's business quality.
3. It enjoyed strong R&D capability and high-end technological platform for cooperation. The Company highly valued self-dependent innovation and made full use of various technology platforms, inclusive of the National Enterprise Technical Center, National Talent-in draught Demonstration Base and Shandong Engineering and Technological Research Center. Moreover, Lu Thai also reinforced its technical cooperation with scientific research institutes, colleges and universities, strategic clines and major suppliers. It was committed to cutting-edge technical research, and transformed itself from product development to technical researches step by step. What's more, the Company also upgraded itself from overcoming key technological difficulties to master technical principles and set up industrial standards. In the past, it only focused on technical innovation, but now, it is exploring new technology on one hand and boosting innovation on the other for better growth. Consequently, the Company pushed forward its development in a green, low-carbon and cyclic manner and strengthened its vitality and growing momentum. Meanwhile, the share of technology to its development was also increased, which could push forward industrial up gradation.
4. It boasted considerate and efficient customer's service. With customer-oriented principle as its guidance, the Company comprehensively enhanced its quality control so as to persistently provide high standard service and set up an industry-leading brand image, which, in return, could help to win customer's satisfaction and market recognition. Quality awareness was weaved into every step of the manufacturing process and the impeccable quality traceability ensured product reputation.
5. It attaches importance to customer-specific individualized product design service, following the philosophy of customer satisfaction at the forefront of market demand.

Part IV Operating Performance Discussion and Analysis

I Overview

In face of complicated and harsh market environments at home and abroad in 2018, the Company continued to push forward its strategies of “Improve Quality and Efficiency” and “Overall Internationalization”. In light of the new positioning of the textile industry—“Technology, Fashionable and Green”, as well as following the strategies of high-quality development and new driving force creation, the Company carried out the “Year for Further Deepening Market Service” and other activities. As a result, it maintained a healthy, stable development momentum. For 2018, the Company recorded operating revenue of RMB6,879 million, an operating profit of RMB969 million, a net profit attributable to the listed company’s shareholders of RMB812 million, a net profit attributable to the listed company’s shareholders before exceptional items of RMB805 million, up 7.33%, -3.19%, -3.52% and 3.15% year-on-year, respectively. No changes have occurred to the principal activities, the main profit sources and structure of the Company in the year.

I. Continue to “Improve Quality and Efficiency” and Pursue High-quality Development

During the reporting period, the Company took the initiative to adapt to the current economic and market changes at home and abroad through organizational structure adjustment, high-quality project construction, technical transformation, scientific and technological innovation, new business model exploration, and deep integration of informatization and industrialization. The Company actively promoted budget management information construction and group subsidiary budget control; conducted effective cost control from procurement, production, sales, quality and other links; strengthened human resources management, perfected compensation, performance management and incentive mechanism; On the basis of system management, the Company comprehensively promoted the excellent performance management, perfected and improved Lu Thai production style (LTPS) and steadily advance the strategy of “Improve Quality and Efficiency”. During the reporting period, “Lu Thai Intelligent Manufacturing System Based on Cloud Architecture” won “The First Prize for Innovative Application” of Information Achievement Award in textile industry. The Company was named “National Technological Innovation Demonstration Enterprise” by the Ministry of Industry and Information Technology, and awarded the “Evaluation Certificate of Informatization and Industrialization Integration Management system” issued by CICS-CERT.

II. Steadily Advance the Strategy of “All-round Internationalization” and Perfect the Global Strategic Layout

During the reporting period, the Company’s overseas projects have progressed smoothly and the company’s planning deployment has been completed as a whole. The production, quality indicators, employee relationship management, system construction, cultural construction and other aspects have been further improved. During the reporting period, the Company set up an office in Tokyo, Japan. Together with the existing offices in New York and Milan, the Company has further improved its international service structure and actively expanded in the effective communication with its customers, product promotion, market investigation and other aspects to further grasp the market and understand the customer requirements.

In order to better grasp the trend of fashion and train the design team, the Company has successively hired famous Italian fabric designers, French fashion consultants, British textile and garment designers, and other international designers as the design guides. At the same time, the Company has strengthened cooperation with European professional trend organizations, achieved the industry upgrade from manufacturing to creation to creativity through the international design layout to lay a foundation for the cultivation of high-end design talents and the creation of fashionable and creative brands.

III. Implement the Year of Continuous Deepening of Market Service and Build a Community with a Shared Future with Customers

The Company promotes the establishment of a community with a shared future with customers in three business fields (yarn-dyed, dyeing and clothing), improves the pre-control management, basic work advancement, process standardization through information

systems such as yarn-dyed production system, printing and dyeing production system and garment production system, etc., strengthens the process management and control, meets the customers' requirements for quality, delivery period and services, and shortens the production cycle of fabrics and shirts at home and abroad. The Company actively grasps the fashion trend, optimizes the product structure, increases custom R & D and new product development efforts, provides customers with a wealth of product design solutions around the Company's core technology products, unique products, environment-friendly products, original products, functional and fashionable products five major directions. The Company has held more than 30 promotional meetings at home and abroad.

The Company deepens the customer relationship through the product structure adjustment, supply chain fusion, design research and development docking, brand cooperation, overseas expansion, e-commerce platform and other positive measures, unceasingly improves the product design idea and innovative service model according to the market new characteristics and new demands to meet customer needs and adapt to market trends. During the reporting period, the Company started to build Luthai•1987 new retail platform based on S2B2C model and opened the online and offline OMO model to provide high-quality services for the terminal customers with the partners.

During the reporting period, the Company was rated "Top-20 Enterprise in China's Printing and Dyeing Industry in 2018" by CDPA and won "National Textile Industry Quality Award" awarded by CNTAC. After the rating of China Brand Promotion Association, the Company was shortlisted as a top-50 enterprise in the field of textile, clothing, shoes and hats. The Company was rated as "Top-10 Enterprise in Business income in Color Weaving Industry in 2017" and "Top-100 Enterprise in Main Business Income in Cotton Textile Industry in 2017" by CCTA. In 2018 China International Fabrics Design Completion, Excellence Award for Spring/Summer Chinese Fashion Fabric 2019, the company's works "Luxury and Unique Flow" won the Best Market Application Award and "Crisscross Footpaths between Fields" and "Time Wheel" won the first prize of good fabrics in Chinese printing and dyeing industry.

IV. Adhere To Scientific and Technological Innovation, Attach Importance to R & D and Application

During the reporting period, the Company continued to promote scientific and technological innovation and focus on the research and development of new topics, new technologies and new materials. In view of the key core technologies and weak links affecting the Company's industrial chain, as well as the technical key and difficult issues such as quality, cost, efficiency, environmental protection, and so on, which have a strong reaction in the production process, 18 technical improvement projects at the corporate level and 154 technical topics at the departmental level have been promoted. The Company always adheres to the "intelligent, energy-saving, low-carbon, environmental protection" concept of green, low-carbon and sustainable development, strives to create "healthy, comfortable, environmentally friendly" ecological textiles that the process can be traced back and the quality can be trusted. The project of "Key Technology and industrialization Application of Color Digitization of Yarn and Fabric in Textile and Garment Industry" has won the first prize for scientific and technological progress in Shandong province in 2018;

In recent years, the Company has successfully developed more than 600 new technologies and new products, of which 48 products have passed the scientific and technological achievements appraisal at provincial and ministerial level. Among them, 13 products have reached the international leading level and 30 products have reached the international advanced level; The Company has won 53 rewards at the national and provincial level, including 1 first prize and 2 second prizes for scientific and technological progress; The Company has undertaken 17 scientific and technical programs above the provincial level; The Company boasts the core technology and equipment, such as "a complete set of technology and equipment for digital automatic dyeing of cylindrical yarn", "key processing technology and industrialization of super high pure cotton fabric" and "high flux membrane treatment and reuse technology and industrialization of printing and dyeing wastewater", etc. The Company has been authorized 335 patents and 3 software copyrights; The Company has presided over or participated in the formulation of 44 national and industrial standards.

V. Dig Deeply into the Connotation of Enterprise Culture and Assume Social Responsibility

The Company continues to build a regular, scientific, standardized learning management organization, organizes the management to learn and understand from the traditional culture, modern management, professional technology and other aspects to improve the management and production management ability. In addition, the Company guides the employees to attach importance to the improvement of skills through technical competition activities. During the reporting period, the Company strengthened the

construction and training of design talent teams and continued to deepen communication and cooperation with strategic customers in the early design of fabric and shirt. The Company has received good market response. Lu Thai Textile was rated as the advanced unit for the cultivation of designers in the fifth rating of "Golden Shuttle Award" for textile fabrics. During the reporting period, the Company was rated as "Demonstration Enterprise of Fulfilling Social Responsibility in Shandong Province" and was shortlisted into "Top-30 Private Listed Company with Social Responsibility in China in 2018". The Company also won the honorary title of "Forty Exemplary Organizations of Chinese Enterprise Culture in the 40 Years of Reform and Opening-up" by China Research Institute of Enterprise Culture.

During the reporting period, the Company continued to promote chemical control and strengthen supply chain environmental management; to promote the preparation and revision of environmental emergency plans; to study on the improvement of sewage Station Standard raising and the wastewater liquid membrane separation technology, and increase annual waste water treatment amount and recycled water recycling amount. To carry out more than 110 energy-saving and water-saving projects and promote the comprehensive utilization of energy sources.

At the current stage, Lu Thai, with natural fabric as its flagship, multi-component functional fiber fabric as its spearhead, wash-and-wear non-ironing technology as its core competency, the latest consumption trend as its guidance and internationalized industrial manufacturing as its basis, is sparing every effort to attain a global integrated development, so as to ensure its leading position in the yarn-dyed shirt fabric sector.

II Core Business Analysis

1. Overview

For the Reporting Period, the Company recorded operating revenue of RMB6.879 billion (a 7.33% year-on-year increase); cost of sales of RMB4.861 billion (a 8.59% year-on-year increase), including selling expense of RMB158 million (a 9.75% year-on-year rise) and administrative expense of RMB391 million (a 20.98% year-on-year increase); research and development expense of RMB289 million (a 11.88% year-on-year drop); and net cash generated from operating activities of RMB1.430 billion (a 33.61% year-on-year growth).

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2018		2017		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	6,879,058,813.93	100%	6,409,224,044.97	100%	7.33%
By operating division					
Textile and apparel	6,208,566,844.56	90.25%	5,906,736,459.03	92.16%	5.11%
Cotton	101,088,256.72	1.47%	35,606,856.03	0.56%	183.90%
Electricity and steam	154,470,651.72	2.25%	103,870,652.93	1.62%	48.71%
Others	414,933,060.93	6.03%	363,010,076.98	5.66%	14.30%

By product category					
Fabric products	4,926,081,389.35	71.61%	4,624,849,307.12	72.16%	6.51%
Shirts	1,282,485,455.21	18.64%	1,281,887,151.91	20.00%	0.05%
Cotton	101,088,256.72	1.47%	35,606,856.03	0.56%	183.90%
Electricity and steam	154,470,651.72	2.25%	103,870,652.93	1.62%	48.71%
Others	414,933,060.93	6.03%	363,010,076.98	5.66%	14.30%
By operating segment					
Hong Kong	263,460,345.34	3.83%	246,434,343.62	3.84%	6.91%
Japan And South Korea	451,954,695.71	6.57%	413,874,632.85	6.46%	9.20%
Southeast Asia	2,010,251,958.96	29.22%	1,976,448,225.47	30.84%	1.71%
Europe and America	1,224,318,099.10	17.80%	1,044,242,539.46	16.29%	17.24%
Others	388,746,153.95	5.65%	376,849,171.78	5.88%	3.16%
Mainland China	2,540,327,560.87	36.93%	2,351,375,131.79	36.69%	8.04%

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

√ Applicable □ Not applicable

Is the Company subject to any industry-specific disclosure requirements?

No.

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	6,208,566,844.56	4,323,535,187.46	30.36%	5.11%	5.71%	-0.40%
By product category						
Fabric products	4,926,081,389.35	3,414,309,296.66	30.69%	6.51%	7.69%	-0.76%
Shirts	1,282,485,455.21	909,225,890.80	29.10%	0.05%	-1.13%	0.84%
By operating segment						
Southeast Asia	2,010,251,958.96	1,393,864,915.85	30.66%	1.71%	2.82%	-0.75%
Europe and America	1,224,318,099.10	858,719,258.08	29.86%	17.24%	16.35%	0.54%
Mainland China	2,540,327,560.87	1,838,033,059.66	27.65%	8.04%	10.67%	-1.72%

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

□ Applicable √ Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue√ Yes ☐ No

Operating division	Item	Unit	2018	2017	Change (%)
Textile and fabric	Unit sales	0,000 meters	25,494.21	23,921.03	6.58%
	Output	0,000 meters	28,752.73	26,614.99	8.03%
	Inventory	0,000 meters	3,640.18	2,790	30.47%
Textile and apparel	Unit sales	0,000 pieces	1,889.35	1,962.29	-3.72%
	Output	0,000 pieces	1,868.74	1,914.08	-2.37%
	Inventory	0,000 pieces	77.62	105.56	-26.47%
Cotton	Unit sales	ton	6,610.89	2,110.48	213.24%
	Output	ton	17,680.56	16,737.17	5.64%
	Inventory	ton	8,205.95	8,092.61	1.40%
Electricity	Unit sales	000 KWH	104,570.59	65,661.68	59.26%
	Output	000 KWH	445,490.43	401,967.71	10.83%
	Inventory	000 KWH			
Steam	Unit sales	ton	478,012.13	307,504.69	55.45%
	Output	ton	1,434,662.48	1,235,609.78	16.11%
	Inventory	ton			

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

√ Applicable ☐ Not applicable

1. Inventory of textile and fabric in 2018 increased by 30.47% as compared with last year, mainly due to the increase of reserves of fabric production of Lu Thai.
2. Unit sales of cotton in 2018 increased by 213.24% from last year, mainly due to the increase of external cotton sales from related companies of Xinjiang Lu Thai.
3. Unit sales of electricity in 2018 increased by 59.26% as compared with last year, mainly due to the increase of non-related sales of electricity of Xinsheng Thermal Power.
4. Unit sales of steam in 2018 increased 55.45% as compared with last year, mainly due to the increase of non-related sales of steam of Xinsheng Thermal Power.

(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period☐ Applicable √ Not applicable**(5) Breakdown of Cost of Sales**

By operating division and product category

Unit: RMB

Operating division	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Textile and apparel	Cost of sales	4,323,535,187.46	88.93%	4,090,113,368.00	91.36%	5.71%
Cotton	Cost of sales	93,918,390.99	1.93%	32,882,009.84	0.73%	185.62%
Electricity and steam	Cost of sales	154,888,713.67	3.19%	110,812,770.78	2.48%	39.78%
Other	Cost of sales	289,100,950.83	5.95%	243,239,636.06	5.43%	18.85%

Unit: RMB

Product category	Item	2018		2017		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Fabric products	Cost of sales	3,414,309,296.66	70.23%	3,170,487,809.95	70.82%	7.69%
Shirts	Cost of sales	909,225,890.80	18.70%	919,625,558.05	20.54%	-1.13%
Cotton	Cost of sales	93,918,390.99	1.93%	32,882,009.84	0.73%	185.62%
Electricity and steam	Cost of sales	154,888,713.67	3.19%	110,812,770.78	2.48%	39.78%
Other	Cost of sales	289,100,950.83	5.95%	243,239,636.06	5.43%	18.85%

Note

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2018	56.77%	17.56%	5.50%	12.66%	7.51%	100.00%
	2017	55.02%	17.51%	5.41%	13.47%	8.59%	100.00%
Shirts	2018	55.73%	37.48%	2.14%	0.92%	3.73%	100.00%
	2017	55.53%	37.50%	2.16%	0.92%	3.89%	100.00%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

√ Yes □ No

During the Reporting Period, Beijing Sichaung Apparel Co., Ltd was cancelled, and Shanghai Zhinuo Textile New Material Co., Ltd was newly established.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

□ Applicable √ Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,360,691,421.45
Total sales to top five customers as % of total sales of the Reporting Period (%)	19.78%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	A	373,427,618.03	5.43%
2	B	329,650,999.24	4.79%
3	C	265,493,804.74	3.86%
4	D	213,133,056.36	3.10%
5	E	178,985,943.08	2.60%
Total	--	1,360,691,421.45	19.78%

Other information about major customers:

☐ Applicable ☒ Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	654,234,880.87
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	13.95%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	2.48%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	A	151,879,635.33	3.24%
2	B	147,033,663.37	3.13%
3	C	121,913,704.08	2.60%
4	D	117,094,668.39	2.50%
5	E	116,313,209.70	2.48%
Total	--	654,234,880.87	13.95%

Other information about major suppliers:

☐ Applicable ☒ Not applicable

3. Expense

Unit: RMB

	2018	2017	Change (%)	Reason for any significant change
Selling expense	158,106,183.74	144,061,780.39	9.75%	
Administrative expense	390,911,763.27	323,126,978.65	20.98%	
Finance costs	48,779,680.31	63,342,671.31	-22.99%	
R&D expense	289,395,092.58	328,403,990.29	-11.88%	

4. R&D Expense

☒ Applicable ☐ Not applicable

With leading the technology development in the industry as the goal, the research staff of the Company work hard in new product development, new technology promotion and transformation of new technological results to productivity to explore ways for transforming the business mode, adjusting the structure and extending the industrial chain. These efforts will promote the Company's development towards an energy-saving and environment-friendly enterprise and truly achieve the sustainable development.

Details about R&D expense:

	2018	2017	Change (%)
Number of R&D personnel	1,867	1,673	11.60%
R&D personnel as % of total employees	11.79%	11.72%	0.07%
R&D expense (RMB)	289,395,092.58	328,403,990.29	-11.88%
R&D expense as % of operating revenue	4.21%	5.12%	-0.91%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

5. Cash Flows

Unit: RMB

Item	2018	2017	Change (%)
Subtotal of cash generated from operating activities	6,900,228,651.30	6,575,970,495.58	4.93%
Subtotal of cash used in operating activities	5,469,886,988.14	5,505,459,842.15	-0.65%
Net cash generated from/used in operating activities	1,430,341,663.16	1,070,510,653.43	33.61%
Subtotal of cash generated from investing activities	115,825,451.80	84,563,735.04	36.97%

Subtotal of cash used in investing activities	1,002,392,250.74	828,490,043.09	20.99%
Net cash generated from/used in investing activities	-886,566,798.94	-743,926,308.05	-19.17%
Subtotal of cash generated from financing activities	3,282,459,288.75	2,356,781,279.43	39.28%
Subtotal of cash used in financing activities	3,969,383,669.10	2,626,785,842.65	51.11%
Net cash generated from/used in financing activities	-686,924,380.35	-270,004,563.22	-154.41%
Net increase in cash and cash equivalents	-141,504,439.96	17,523,075.19	-907.53%

Explanation of why any of the data above varies significantly:

☒ Applicable ☐ Not applicable

During the reporting period, the amount of net cash flows from operating activities was RMB 1,430,341,663.16 with 33.61% year-on-year increase due to the year-on-year increase in cash received from the sale of commodities. The amount of cash inflows from investment activities was RMB 115,825,451.80 with 36.97% year-on-year increase due to the recovery of trust funds. The amount of net cash flows from financing activities was RMB -686,924,380.35 with 154.41% year-on-year decrease. First, the amount of cash outflows from financing activities was increased by RMB 1,342,597,826.45 year on year (increase: 51.11%) due to the increase in cash paid for the repayment of debts and the payment of B-share buy-back funds; Second, the amount of cash inflows from financing activities was increased by RMB 925,678,009.32 year on year (increase: 39.28%) due to the year-on-year increase of cash received from the borrowings. The net increase amount of cash and cash equivalents was RMB-141,504,439.96 with 907.53% year-on-year decrease because the amount of net cash flows from operating activities was decreased by RMB 416,919,817.13, the net amount of cash inflows from investment activities was decreased by RMB 142,640,490.89 and the amount of net cash flows from operating activities was increased by RMB 359,831,009.73.

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

☐ Applicable ☒ Not applicable

III Analysis of Non-Core Businesses

☒ Applicable ☐ Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Exceptional or recurrent
Investment income	-60,273,275.04	-6.22%	Losses on delivery and losses on equity investment of financial assets (financial liabilities) such as forward exchange settlement	No
Gain/loss on changes in fair value	-4,877,600.00	-0.50%	Changes in fair value of financial liabilities at the period-end, such as undelivered forward exchange settlement	No
Asset impairments	57,528,337.04	5.93%	Inventory falling price provision, fixed assets impairment provision, and bad debt provision	No
Non-operating income	10,652,238.56	1.10%	Income of non-operating compensation, etc	No
Non-operating expense	10,598,854.65	1.09%	Non-operating compensation, losses on damage of non-current assets	No

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	31 December 2018		31 December 2017		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	545,502,709.36	5.18%	693,989,293.38	6.82%	-1.64%	
Accounts receivable	374,607,116.55	3.55%	334,080,524.05	3.28%	0.27%	
Inventories	2,093,366,992.30	19.87%	2,100,661,221.93	20.65%	-0.78%	
Investment property	22,880,242.95	0.22%	24,563,544.58	0.24%	-0.02%	
Long-term equity investments	96,018,463.65	0.91%	97,536,732.02	0.96%	-0.05%	
Fixed assets	5,748,562,385.35	54.55%	5,421,295,850.03	53.30%	1.25%	
Construction in progress	337,230,646.42	3.20%	214,335,626.74	2.11%	1.09%	
Short-term borrowings	1,325,273,780.05	12.58%	1,135,124,996.40	11.16%	1.42%	
Long-term borrowings	170,019,083.89	1.61%		0.00%	1.61%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
3. Available-for-sale financial assets	60,033,000.00		579,000.00				60,612,000.00
Subtotal of financial assets	60,033,000.00		579,000.00				60,612,000.00

Total of the above	60,033,000.00		579,000.00				60,612,000.00
Financial liabilities	0.00	-4,877,600.00					4,877,600.00

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

☐ Yes ☒ No

3. Restricted Asset Rights as at the Period-End

For details, see Part XI. VII. 54. Assets with restricted ownership and using right in this Report.

V 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

Unit: RMB'0,000

Operator	Relationship with the Company	Related-party transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Commercial bank	Non-related	No	Forward exchange settlement	67,367.6	22 February 2018	25 January 2019	0	67,367.6	60,855.55		6,512.05	0.84%	-1,590.01
Commercial bank	Non-related	No	Foreign exchange option	225,451.86	30 November 2017	25 January 2019	19,800	205,651.86	223,541.97		1,909.89	0.25%	-4,656.64
Commercial bank	Non-related	No	Forward exchange transactions	27,803.58	14 March 2018	8 February 2019	0	27,803.58	26,193.47		1,610.11	0.21%	-239.74
Commercial bank	Non-related	No	Foreign exchange swap	5,925.81	21 March 2018	11 April 2018	0	5,925.81	5,925.81		0		3.95
Total				326,548.85	--	--	19,800	306,748.85	316,516.8		10,032.05	1.30%	-6,482.44
Capital source for derivative investment				The Company's own money									
Lawsuit (if applicable)				Naught									
Disclosure date of board of directors announcement on approval of derivative investment				28 April 2017									
				27 April 2018									

(if any)	
Disclosure date of general meeting of shareholders announcement on approval of derivative investment (if any)	
Analysis on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws and regulation. 1. Market risk: when the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivatives transactions of the Company. Precautionary measures to be taken include: the Company chooses risk-controlled financial derivative tools with simple structure and good liquidity to carry out the hedging business, strictly controls the scale of financial derivatives trading by staged operations, and adjusts the strategy according to market changes in a timely manner. 2. Liquidity risk and credit risk: a credit risk arising from failure of the contractually due Company or counterparty in performing the contract due to liquidity or factors other than liquidity. Precautionary measures to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty. 3. Operation risk: The derivatives had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, established special risk control positions, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum. 4. Risk of laws and regulation: The Company conducted derivatives products transaction in strict accordance with relevant laws and rules. If there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. Risk control measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction,

	formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products transaction business. The Company conducted derivative transaction business according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Transaction of Lu Thai Textile Co., Ltd. and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions approved at the 7 th Meeting of the 8 th Board of Directors on 26 April 2017, and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions approved at the 17 th Meeting of the 8 th Board of Directors on 25 April 2018, and performed relevant information disclosure responsibilities.
Changes of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	1. As of 31 December 2018, the Company held four undue financial derivatives contracts, totaling USD 15.346 million, including 2 settlements of exchange in middle and long term (USD 10 million); 1 foreign exchange option portfolio (USD 3 million); 1 forward exchange transaction (USD 2.346 million); The contract expires by February 2019 at the latest. Financial derivatives accounted for 1.30 % of net assets at the end of the period. 2. In January - December 2018, the amount of maturing financial derivatives of the Company amounted to USD 497,564,400 and to USD 3 million in extension period. USD 494,564,400 was executed as per the contract, which generated a loss of RMB 64,824,400. The amount of maturing settlements of exchange in the long term amounted to USD 94 million and has been closed in full, which generated a loss of RMB 15,900,100; the amount of maturing foreign exchange options was USD 356 million and USD 3 million in extension period. USD 353 million was executed as per the contract, which generated a loss of RMB 46,566,400. The amount of maturing exchange transaction amounted to USD 38,165,100 and has been closed in full, which generated a loss of RMB 2,397,400; the amount of Maturing foreign exchange swap amounted to USD 9,399,300 and has been closed in full, which generated an income of RMB 39,500.
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
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors Zhou Zhiji, Zhao Yao, Bi Xiuli, Pan Ailing and Wang Xinyu, concerning conducting derivatives business, have issued the following professional advice: We are of the opinion that it will strengthen the Company's competitiveness to use derivative transactions with focus on forward settlement and purchase as an effective tool to avoid foreign exchange risks, to strengthen the relevant internal control and to carry out the loss and risk prevention measures so as to improve the operation and management. In conducting derivative transactions with focus on forward settlement and purchase, the Company follows a legal approval procedure, has sound relevant institutions and keeps the risks relatively controllable. No harm has been done to the interests of the Company's shareholders.

5. Use of Funds Raised

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period

VI 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

VII Major Subsidiaries

☒ Applicable ☐ Not applicable

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

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	706,160,000.00	1,728,414,895.13	1,518,451,551.77	1,780,246,459.14	133,637,946.98	118,857,204.34

Subsidiaries obtained or disposed in the Reporting Period:

☐ Applicable ☒ Not applicable

Information about major majority- and minority-owned subsidiaries:

Lufeng Weaving & Dyeing Co., Ltd. (hereinafter called "Lufeng Weaving & Dyeing") is the holding subsidiary corporation of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.160 million. It was authenticated to be high-tech enterprise in October 2014, and authenticated to be high-tech enterprise again for re-evaluation in 2017, mainly manufacturing and selling textile printing and dyeing products and the products of clothing and garments. Its export income accounted for more than 75%. During the Reporting Period, market required more and more on the production and environmental protection of printing and dyeing products. Lufeng Weaving & Dyeing had been further acknowledged in market as an enterprise with normative operation and the focus on environmental protection and sustainable development. At the same time, the R & D and innovation of Lufeng Weaving & Dyeing constantly progressed. With the rise of the transfer ratio of scientific and technological achievements, proportion of the sale of new products with high additional value rose largely. In 2018, operation revenue of Lufeng Weaving & Dyeing was RMB1.78 billion, increasing for 6.93% comparing with that of the last year. In another aspect, thanks to comprehensive budget management, costs control and investment in new products R & D, net profit RMB119 million was achieved in 2018, decreasing for 14.19% comparing with that of the last year.

VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

IX Prospects

1. Industry competition and development trend

China's textile industry possesses outstanding advantages in the global textile industry, mainly in terms of industrial chain, technology and labor efficiency, etc. Although the cost of production factors is increasing, China's textile industry still has an outstanding advantage in the global competition. At present, the main current fabric for high-end shirts in the world is pure cotton-dyed fabric. In recent years, with the increase of domestic environmental protection requirements and production costs, and the trend of state transformation and upgrading, some low-end and small yarn-dyed production capacities gradually quit the market, and production capacities have been concentrated on large companies, while the demand for yarn-dyed fabrics for shirts is changing to small quantity, variety, diversity, functionality and leisure.

2. Development strategy of the Company

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

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

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

(2) In terms of market development, the Company will follow the business philosophy of "combining end-customer demand with R&D, design and sales services". Based on the stability of existing markets, the Company will adjust operation models, establish diversified sales platforms and explore new markets to increase domestic market share and balance the development of domestic and foreign markets.

(3) In terms of corporate management, with the goal of "improving quality and increasing efficiency", the Company will fully develop the group system and deeply practice the model of excellence performance. Relying on the Lu Thai Production System (LTPS) and supply chain management, the Company creates a global procurement network to improve the enterprise management system and company upgrade.

(4) In terms of brand building, the Company focuses on quality to integrate corporate philosophy and culture into brand building with innovation. Based on customer demand, the Company innovated the marketing model and integrated online and offline channel resources to push forward the process of brand internationalization.

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

4. Capital needs, sources and planning

During the reporting period, the new spinning production line with a capacity of 76,000 spindles of the yarn manufacture project Phase II of Lu Thai (Vietnam) Textile Co., Ltd. has been set up; The main plant of 40 million meters of production expansion project of yarn-dyed fabrics was completed and the first batch equipment will be installed in the first quarter of 2019. The expansion project of 3 million high-grade shirts in Vietnamese garment factory Phase II has been put into production in August 2018. Preparatory work is under way for infrastructure construction of the investment project of Lu Thai (Tan Chau) Co., Ltd., the wholly owned subsidiary of Lu Thai (Vietnam) Textile Co., Ltd. The above-mentioned project funds all come from the owned and self-financing funds of the wholly owned subsidiary.

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

(1) Economic environment: at present, the rise of the international trade protectionism and the increasing uncertain risks of economic policies of advanced economies, especially monetary policy, produce a certain degree of uncertainty on the market environment that the Company faces. Meanwhile, the new development of China's economy shows more characteristics such as speed change, structural adjustment and dynamic changes. The economic trend is going stable. To cope with these impacts, the Company will work hard to maintain the international market and develop the domestic market to balance development of domestic and foreign sales.

(2) Fluctuations in raw material prices: the raw cotton used by the Company is long-staple cotton, whose price is affected by many factors such as market supply and demand, climate, policies, exchange rates and quotas. Furthermore, with the development of environmental protection policies, the cost of dyeing auxiliaries also increased. Therefore, besides ensuring the stable supply of long-staple cotton by the subsidiary in Xinjiang, the Company must study the market dynamics to reduce the cost fluctuations due to changes in raw cotton price, and develop with the concept of green and environmental protection to improve environmental protection standards.

(3) Exchange rate changes: along with the operation of overseas production base of the Company and in the future, the Company will continue to sell its products mainly in the international market for a long period of time, and US dollars will account for a relatively larger portion in sales revenue. In addition, the main machinery and equipment and some of its raw materials of the Company are also imported. The foreign currencies payment for imports includes US dollar and other currencies. Therefore, the Company will still be sensitive to the impact of exchange rate changes.

In order to reduce adverse influence of exchange rate fluctuation, the Company adopted the following measures: firstly, the Company appropriately conducted foreign exchange hedging, using forward FX sales and purchase, forward foreign exchange trading and option portfolios to avoid some risks. Secondly, the Company made reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Thirdly, the Company adjusted the Renminbi and foreign-currency liabilities structure to control financial costs. Fourthly, according to the fluctuation trend of exchange rates, the Company properly adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

√ Applicable □ Not applicable

Date	Way of communication	Type of communication party	Index to main information communicated
17 April 2018	By phone	Institution	About basic information of the Company
27 April 2018	By phone	Institution	About basic information of the Company

22 August 2018	By phone	Institution	About basic information of the Company
31 October 2018	By phone	Institution	About basic information of the Company
31 October 2018	By phone	Institution	About basic information of the Company
8 November 2018	One-on-one meeting	Institution	About basic information of the Company
Times of communications			6
Number of institutions communicated with			86
Number of individuals communicated with			0
Number of other communication parties			0
Tip-offs or leakages of substantial supposedly-confidential information during communications			None

Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

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

☒ Applicable ☐ Not applicable

The 1st Extraordinary General Meeting of 2018 convened by the Company on 8 February 2018 reviewed and approved the Proposal on Revision of Part of Clauses of Articles of Lu Thai Textile Co., Ltd., among which revised the contents of the profit distribution policy and decision-making mechanism of the Company in Article 154, adequately protecting the legitimate interest of medium and small investors. For details, see related announcement disclosed on www.cninfo.com.cn on 9 February 2018.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and resolution of general meeting	Yes
Specific and clear dividend standard and ratio	Yes
Complete decision-making procedure and mechanism	Yes
Independent directors faithfully performed their duties and played their due role	Yes
Non-controlling interests are able to fully express their opinion and desire and their legal rights and interests are fully protected	Yes
In case of adjusting or changing the cash dividend policy, the conditions and procedures involved are in compliance with applicable regulations and transparent	Yes

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. The 24th Meeting of the 8th Board of Directors of the Company reviewed and approved 2018 Profit Distribution Plan

As of 31 December 2018, the total share capital of the Company was 922,602,311 shares. Since 28 May 2018, the Company has implemented B-share repurchase. As of 22 March 2019, the Company has repurchased 64,480,770 shares which have not been cancelled. The repurchase shares were inventory shares and were not entitled the rights of all shareholders, such as profit distribution. Therefore, the Company's profit distribution plan for 2018: Based on 858,121,541 shares (the total share capital of 922,602,311 shares deducted 64,480,770 shares which have been repurchased but not cancelled on 31 December 2018), the cash allocated per 10 shares is RMB 5.00 (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2012] No. 85 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Cash Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

RMB429,060,770.50 should be allocated based on 922,602,311 shares deducting 64,480,770 B shares which have been repurchased but not cancelled. The above-mentioned allocation scheme shall be submitted to the shareholders' meeting in 2018 for consideration

and approval.

2. The 16th Meeting of the 8th Board of Directors of the Company reviewed and approved 2017 Profit Distribution Plan

Based on the total 922,602,311 shares on 31 December 2017, the Company is to distribute a cash dividend of RMB5.0 for every 10 shares (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

The Company has implemented B-share buyback scheme from 28 May 2018. As of the date of equity distribution, the total number of B shares repurchased by the Company was 15,913,655 shares. According to the provisions of the *Company Law*, listed companies do not have the right to participate in the distribution of profits by buying back the shares of the Company. Therefore, the allocation base of the Company's profit distribution scheme in 2017 shall be the total share capital less the number of shares repurchased, that is RMB 453,344,328.00 shall be allocated based on 906,688,656 shares as the profit distribution base in 2017. The above distribution scheme has been implemented in June 2018.

3. The 5th Meeting of the 8th Board of Directors of the Company reviewed and approved 2016 Profit Distribution Plan

Based on the total 922,602,311 shares on 31 December 2016, the Company is to distribute a cash dividend of RMB5.0 for every 10 shares (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2012] No. 85 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

The actual distributed dividend for above-mentioned distribution plan was of RMB461,301,155.50. The above-mentioned distribution plan was implemented on June 2017 after being reviewed and approved by the 2016 Annual General Meeting convened on 12 May 2017.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
2018	429,060,770.50	811,526,477.83	52.87%	486,922,944.94	59.99%	915,983,715.44	112.87%
2017	453,344,328.00	841,150,934.75	53.90%	0.00	0.00%	453,344,328.00	53.90%
2016	461,301,155.50	808,760,025.91	57.04%	0.00	0.00%	461,301,155.50	57.04%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the

facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

☐ Applicable ☒ Not applicable

II Final Dividend Plan for the Reporting Period

☒ Applicable ☐ Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	5.00
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	858,121,541
Cash dividends (RMB) (tax inclusive)	429,060,770.50
Cash dividends in other forms (such as share repurchase) (RMB)	486,922,944.94
Total cash dividends (including those in other forms) (RMB)	915,983,715.44
Distributable profit (RMB)	3,714,813,049.43
Total cash dividends (including those in other forms) as % of total profit distribution	112.87%
Cash dividend policy	
Where the Company is at a mature stage of development and has plans for considerable spending, in profit distribution, cash dividends shall reach at least 40% in the total profit to be distributed.	
Details about the proposal for profit distribution and converting capital reserve into share capital	
As of 31 December 2018, the total share capital of the Company was 922,602,311 shares. Since 28 May 2018, the Company has implemented B-share repurchase. As of 22 March 2019, the Company has repurchased 64,480,770 shares which have not been cancelled. The repurchase shares were inventory shares and were not entitled the rights of all shareholders, such as profit distribution. Therefore, the Company's profit distribution plan for 2018: Based on 858,121,541 shares (the total share capital of 922,602,311 shares deducted 64,480,770 shares which have been repurchased but not cancelled on 31 December 2018), the cash allocated per 10 shares is RMB 0.00 (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2012] No. 85 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Cash Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China). 2. The distributed dividend in the aboved distribution plan was of RMB429,060,770.50, the rest of the profit available for distribution RMB3,285,752,278.93 will be carried forward into the next year.	

III Fulfillment of Commitments

1. 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

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

☒ Applicable ☐ Not applicable

During the Reporting Period, Beijing Sichuang Apparel Co., Ltd was cancelled, and Shanghai Zhinuo Textile New Material Co., Ltd was newly established.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Ruihua Certified Public Accountants (LLP)
The Company's payment to the domestic independent auditor (RMB'0,000)	173.5
How many consecutive years the domestic independent auditor has provided audit service for the Company	6
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Wang Chuanshun and Cui Xiaoli
How many consecutive years the certified public accountants have provided audit service for the Company	1, 4

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

On 16 May 2018, the Company held the 2017 Annual General Meeting, which reviewed and approved the Proposal on Engagement of the 2018 Financial Audit and Internal Control Auditor. The Company paid RMB1.735 million in total for 2017 financial report audit and the internal control audit.

X Possibility of Listing Suspension or Termination after Disclosure of this Report

☐ Applicable ☒ Not applicable

XI Insolvency and Reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Quality of the Company as well as Its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVI 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 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

Indicate by tick mark whether there were any credits and liabilities with related parties for non-operating purposes.

☒ Yes ☐ No

Liabilities of related parties to account payable

Related party	Relation with the Company	Formation reason	Beginning balance (RMB'0,000)	Amount newly added in current period (RMB'0,000)	Amount returned in current period (RMB'0,000)	Interest rate	Current interest (RMB'0,000)	Ending balance (RMB'0,000)
Zibo Lucheng Textile Investment Co., Ltd	The Company as the parent	Currencies deposit	5,900	7,852	1,600	4.35%	413.55	12,152
Zibo Lujia Property Management Co., Ltd	Wholly-owned subsidiary of Lucheng Textile	Currencies deposit	60			4.35%	2.57	60
Zibo Shidanlu Cosmetics Co., Ltd	Joint-stock Company of	Currencies deposit	145			4.35%	6.03	145

	Lucheng Textile							
Zibo Taimei Ties Co., Ltd	Controlling subsidiary of Lucheng Textile	Currencies deposit	130			4.35%	5.41	130
Influences from liabilities of parties related on operating results and financial situations of the Company		No						

5. Other Major Related-Party Transactions

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVII 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

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	6,534.2	20 January 2017	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	5,227.36	20 January 2017	1,390.90	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu An Garments Co., Ltd.	25 January 2017	3,920.52	20 January 2017	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	25,483.38	20 January 2017	0	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	19,602.6	20 January 2017	18,530.64	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd. / Lu An Garments Co., Ltd.	25 January 2017	6,534.2	20 January 2017	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	17,969.05	20 January 2017	5,089.27	Joint-liability	Five years since the approval of the board of the Company	No	Yes

Xinjiang Lu Thai Good Yield Cotton Co., Ltd.	14 October 2017	15,000	12 October 2017	0	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	27 October 2017	33,977.84	25 October 2017	17,001.91	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	7,549.52	20 August 2018	0	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	2,745.28	20 August 2018	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Total approved line for such guarantees in the Reporting Period (B1)		10,294.8		Total actual amount of such guarantees in the Reporting Period (B2)		42,012.72		
Total approved line for such guarantees at the end of the Reporting Period (B3)		144,543.95		Total actual balance of such guarantees at the end of the Reporting Period (B4)		42,012.72		
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Xinjiang Lu Thai Textile Co., Ltd.		20,000	5 November 2018	20,000	Joint-liability	12 months	No	Yes
Total approved line for such guarantees in the Reporting Period (C1)		20,000		Total actual amount of such guarantees in the Reporting Period (C2)		20,000		
Total approved line for such guarantees at the end of the		20,000		Total actual balance of such guarantees at the		20,000		

Reporting Period (C3)		end of the Reporting Period (C4)	
Total guarantee amount (total of the three kinds of guarantees above)			
Total guarantee line approved in the Reporting Period (A1+B1+C1)	30,294.8	Total actual guarantee amount in the Reporting Period (A2+B2+C2)	62,012.72
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	164,543.95	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	62,012.72
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		8.68%	
Of which:			
Balance of guarantees provided for shareholders, actual controller and their related parties (D)		0	
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)		0	
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)		0	
Total of the three amounts above (D+E+F)		0	
Explanations about joint and several liability for repayment in respect of undue guarantee (if any)		According to "Agreement on Counter Guarantee" signed on 12 October 2017 between Lu Thai Company and Xinjiang Lu Thai Company, Xinjiang Lu Thai Company, the warrantee Xinjiang Lu Thai Company provided the corresponding amount of counter guarantee for Lu Thai Company.	
Explanation about external guarantee violating established procedure (if any)		The Company never provided guarantees for companies except controlling subsidiaries.	

Compound guarantees:

None.

(2) Irregularities in Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

√ Applicable □ Not applicable

Overviews of entrusted cash management during the Reporting Period

RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount
Trusted financial products	Self-owned funds	0	0	0
Others	Self-owned funds	0	6,000	0
Total		0	6,000	0

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

√ Applicable □ Not applicable

RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Method of payment determination	Annual yield for reference	Estimated profit (if any)	Amount of actual profits or losses in Reporting Period	Actual recovery of profits or losses in Reporting Period	Amount withdrawn impairment provision (if any)	Whether go through stator procedures	Whether there is wealth management entrustment plan in future or not	Overview of the item and the related index for inquiring (if any)
AVIC Trust Co., Ltd	Trust company	Constant return	5,000	Self-owned funds	14 September 2017	14 September 2018	Miya Baobei	Repay capital with interests when expired	7.20%	360	356.62	No		Yes	Not yet	
Shanghai Gopher Asset Management	Fund company	Constant return	3,000	Self-owned funds	18 December 2017	18 January 2019	Account receivables bonds	Repay capital with interests	7.60%	228		No		Yes	Not yet	

ement Co., Ltd							of Guang dong Cheng xing and Jingdo ng	when expire d								
Shang hai Gophe r Asset Manag ement Co., Ltd	Fund compa ny	Consta nt return	3,000	Self-o wned funds	22 Dece mber 2017	22 Dece mber 2019	Granti ng trust loans to Jiexin Financ e	Repay capital when expire d with annual interes ts payme nt	8.50%	255	250.32	No		Yes	Not yet	
Total			11,000	--	--	--	--	--	--	843	606.94	--		--	--	--

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

☐ Applicable ☒ Not applicable

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)

1. Measures Taken to Fulfill CSR Commitment

The Company has prepared social responsibilities report for 2018, for details, see Social Responsibilities Report disclosed simultaneously with Annual Report 2018 of the Company.

2. Measures Taken for Targeted Poverty Alleviation

The Company did not carry out any targeted poverty alleviation work in the Reporting Period, nor did it have subsequent targeted

poverty alleviation plan.

3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Lu Thai Textile Co., Ltd	COD and ammonia nitrogen	Continuous discharge	2	Huangjiapu Industrial Park; East Zone Industrial Park	COD≤150mg/L; ammonia nitrogen≤10mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012	COD is 622.28t, and ammonia nitrogen is 33.98t	COD is 1495.08t, and ammonia nitrogen is 149.51t	No
Lufeng Weaving & Dyeing Co., Ltd.	COD and ammonia nitrogen	Continuous discharge	1	Lufeng chief discharge outlet	COD≤130mg/L; ammonia nitrogen≤3mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012	COD is 306.49 t, and ammonia nitrogen is 5.93t	COD is 575.985t, and ammonia nitrogen is 57.6t	No
Zibo Xinsheng Thermal Power Co., Ltd.	SO ₂ , NQx, and smoke	Continuous discharge	4	Production plant of Xinsheng Thermal Power	SO ₂ : ≤35mg/m ³ , NQx: ≤100(50) mg/m ³ and smoke:≤10 (5)mg/m ³	Ultra-low emission No. 2 modification list LZJBF (2016) No 46 of Emission standard of air pollutants	Y2018: SO ₂ is 54.41t, NQx is 276.5t, and smoke is 9.914t.	SO ₂ is 286.01t/a, NQx is 817.18t/a, and smoke is 81.72t/a.	No

						of Thermal Power Plant in Shangdong Province			
Lu Thai (Vietnam) Textile Co., Ltd.	Sewage	Discharge into sewage plant in the park district after treatment	1	Beside sewage plant	/	QCVN40: 2011/BTN MT	Sewage discharge is 763,200t	/	No
Lu Thai (Vietnam) Textile Co., Ltd.	Exhaust gas	Direct discharge after treatment	2	Beside boiler room	/	QCVN19: 2009/BTN MT	Gas emission is 190 million m ³	/	No

Construction of pollution prevention equipment and operation condition

Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. strictly implement the "Three Simultaneous" management system for environmental protection in project constructions. The companies are equipped with complete facilities for waste gas and waste water treatment. In 2018, Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. carried out the waste water treatment system transformation project to improve the treated water quality by systematic and comprehensive reform, further improving the river water quality and local ecological environment. The newly added online monitoring devices for total phosphorus and total nitrogen in 2018 monitor and detect the pollutants discharge index comprehensively with automatic sampling apparatus. Support teams were set up to be responsible for daily operation maintenance and inspection to guarantee the normal operation of facilities. Both the exhaust emission and waste water discharge meet the emission standards.

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

The waste water treatment project of the wholly-owned subsidiary Lu Thai (Vietnam) Textile Co., Ltd. is designed to treat 3,000 tons of sewage water daily. The Company adopts a comprehensive treatment process of "pre-materialization + A2O biochemistry + post-materialization + ozone oxidation" for waste water treatment, and the treated water quality is better than the QCVN 40:2011/BTNMT A-level emission standards stipulated by the Vietnam government. The treated waste water is all discharged to the waste water treatment station in the park. Treated water quality analysis for 2018: The COD (mean value) was 47.8 mg/L, the chrominance (mean value) was 36, the ammonia nitrogen (mean value) was 1.5 mg/L, and the total phosphorus (mean value) was 0.3 mg/L. All the parameters met the A-level emission standards set in the "Regulations on Parameters of Industrial Drainage in Vietnam" (QCVN40:2011/BTNMT). Waste water discharge in the whole year met the standards without violation. The total amount of waste water discharged in 2018 was 763,200 tons, among which, the chemical oxygen demand (COD) was 38.48 tons, ammonia nitrogen (NH₃-N) was 1119.39kg and total phosphorus (TP) was 235.33kg. The Company is equipped with multi-pipe and water film dust-separation devices to process the exhaust gas discharged from boilers of the Company. In 2018, all the equipment was in normal operation, and the exhaust gas inspection parameters were lower than the QCVN19:2009/BTNMT emission standards set by Vietnam government. In 2018, the total amount of sulfur dioxide emissions was 67.45 tons, and the total amount of nitrogen oxides

emissions was 73.3 tons.

Project Environmental Impact Assessment and Other Administrative Permission for Environmental Protection

In treatment and comprehensive improvement project of PVA waste water at high concentration of Lu Thai Textile in 2018 (I), the approval has been obtained, and the main works have been completed and entered the commissioning phase; The treatment and comprehensive improvement project of PVA waste water at high concentration of Lu Thai Textile (II) has completed the acceptance; The technical transformation of production line of high-grade greige cloth of Lu Thai Textile has been approved. The project is under construction. The technical transformation project of automatic equipment of Lu Thai Garment has been completed. In its holding subsidiary Lufeng Weaving & Dyeing Co., Ltd., EIA project of technical transformation of high-grade printed fabric production line has been approved and entered the trial run phase. The production line of high-grade greige cloth has been accepted; The separation of dyeing wastewater liquid membrane and comprehensive improvement project of sewage station in Lufeng Weaving & Dyeing has been approved and entered the commissioning phase. Its wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has obtained *Reply of Environmental Protection Department of Shandong Province on Environmental Impact Report of Expansion Project of Zibo Xinsheng Thermal Power Co., Ltd.* (LHS [2015] No. 241) as specified. The expansion project (phase II) is under construction. The completion acceptance of environmental protection project for spinning and yarn-dyed park phase I in its wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. has been confirmed. EIA report of spinning phase II and yarn-dyed park phase II has been approved.

Emergency plan for environmental incidents

The head office, factories in eastern district, and factories in western district of Lu Thai Textile Co., Ltd., and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. prepared the Emergency Plan for Environmental Incidents, which was filed with Zibo Environmental Protection Bureau Xichuan Branch. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has formulated the "Emergency Plan for Environmental Incidents" and filed it with the environmental protection management department. The identification and risk assessment of environmental risk sources, prevention and early warning mechanisms, emergency protection and supervision and management were included in the plan. The wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. has prepared emergency plans for different environmental incidents to reduce their impacts.

Environmental self-monitoring program

In accordance with the requirements of environmental protection authorities, Lu Thai Textile Co., Ltd and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. formulates environmental self-testing plan for the following year in December of each year accordint to the requirements of superior environmental protection administration, and implements the self-monitoring plan to submit data to Zibo Automatic Environmental Monitoring System. The Company invited external qualified agency to detect the sewage, sludge, and exhaust gas every quarter, and report the examing report to environment inspection department. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. complies with the requirements of superior environmental protection authorities to meet discharge standards by online real-time monitoring of environmental protection data. The wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. installed an on-line monitoring device for real-time treated water quality monitoring. In addition, the Company invites external qualified testing organizations to carry out inspections on waste water, sludge and exhaust gas every quarter, and provides reports to environmental inspection departments.

Other environment information that should be disclosed

No

Other related environment protection information

No

XIX Other Significant Events

√ Applicable □ Not applicable

The Company held its 2nd Extraordinary General Meeting of 2018 on 23 March 2018 and passed Bill to Buy Back Some of the

B-shares of the Company. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 24 March 2018 (No.: 2018-013); The Company disclosed Report on the Buyback of Some B-shares of the Company on 16 May 2018 and issued Announcement of Lu Thai Textile Co., Ltd. about the Implementation of Buy-back of Shares on 29 May 2018 that the first buyback shares were disclosed for the first time. The above contents refer to relevant announcements on www.cninfo.com.cn.

As of 31 December 2018, the Company had repurchased 62,751,332 B shares. As of 22 March 2019 when the repurchase period expired the Company repurchased 64,480,770 B shares. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 3 January 2019 and 23 March 2019 (No.: 2019-001; 2019-013).

XX 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	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	119,079,944	12.91%				215,875	215,875	119,295,819	12.93%
3. Shares held by other domestic corporations	847,544	0.09%				215,875	215,875	1,063,419	0.12%
Shares held by domestic natural persons	847,544	0.09%				215,875	215,875	1,063,419	0.12%
4. Shares held by foreign investors	118,232,400	12.82%						118,232,400	12.82%
Among which: Shares held by foreign corporations	118,232,400	12.82%						118,232,400	12.82%
II. Unrestricted shares	803,522,367	87.06%				-215,875	-215,875	803,306,492	87.07%
1. RMB ordinary shares	561,150,431	60.79%				-45,000	-45,000	561,105,431	60.82%
2. Domestically listed foreign shares	242,371,936	26.27%				-170,875	-170,875	242,201,061	26.25%
III. Total shares	922,602,311	100.00%				0	0	922,602,311	100.00%

Reasons for share changes:

√ Applicable □ Not applicable

Shenzhen Branch of China Securities Depository and Clearing Corporation Limited locked and adjusted the shareholding of the Senior Executives

Approval of share changes:

□ Applicable √ Not applicable

Transfer of share ownership:

☐ Applicable ☒ Not applicable

Progress on any share repurchases:

☒ Applicable ☐ Not applicable

The Company held its 2nd Extraordinary General Meeting of 2018 on 23 March 2018 and passed Bill to Buy Back Some of the B-shares of the Company. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 24 March 2018 (No.: 2018-013); The Company disclosed Report on the Buyback of Some B-shares of the Company on 16 May 2018 and issued Announcement of Lu Thai Textile Co., Ltd. about the Implementation of Buy-back of Shares on 29 May 2018 that the first buyback shares were disclosed for the first time. The above contents refer to relevant announcements on www.cninfo.com.cn.

As of 31 December 2018, the Company had repurchased 62,751,332 B shares. As of 22 March 2019 when the repurchase period expired the Company repurchased 64,480,770 B shares. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 3 January 2019 and 23 March 2019 (No.: 2019-001; 2019-013).

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

☒ Applicable ☐ Not applicable

Mr. Quan Peng, the senior executive of the Company, reduced 6,900 shares by means of centralized bidding on 14 February 2019 due to his personal capital needs, and the average price of this trade was RMB10.15/share, accounting for 0.00075% of the total shares of the Company. For details, see related announcements (No. 2019-001, and 2019-006) disclosed on www.cninfo.com.cn on 3 January 2019, and 15 February 2019.

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

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

☐ Applicable ☒ Not applicable

2. Changes in Restricted Shares

☒ Applicable ☐ Not applicable

Unit: share

Name of shareholder	Opening restricted shares	Unlocked in Reporting Period	Increased in Reporting Period	Closing restricted shares	Reason for lock-up/unlocking	Date of unlocking
Liu Zibin	96,067		15,150	111,217	Locked the shareholding of the Senior Executives	6 months after the departure of director
Wang Fangshui	71,740		38,325	110,065	Locked the shareholding of the Senior Executives	6 months after the departure of director
Qin Guiling	53,431		41,475	94,906	Locked the shareholding of the Senior Executives	6 months after the departure of director

Zhang Hongmei	48,300		21,075	69,375	Locked the shareholding of the Senior Executives	6 months after the departure of director
Zhang Shougang	45,000		9,825	54,825	Locked the shareholding of the Senior Executives	6 months after the departure of supervisor
Liu Zilong	0		7,500	7,500	Locked the shareholding of the Senior Executives	6 months after the departure of supervisor
Zhang Jianxiang	34,687		4,425	39,112	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Zhang Zhanqi	52,725		7,500	60,225	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Zhang Keming	46,875		11,400	58,275	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Wang Jiabin	55,275		7,500	62,775	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Pan Pingli	69,572		34,375	103,947	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Yu Shouzheng	45,000		17,325	62,325	Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Total	618,672	0	215,875	834,547	--	--

II. Issuance and Listing of Securities

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

3. Existing Staff-Held Shares

☐ Applicable ☒ Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	54,163	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	54,494	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0		
5% or greater shareholders or top 10 shareholders									
Name of shareholder		Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
								Status	Shares
Zibo Lucheng Textile Investment Co., Ltd.		Domestic non-state-owned legal person	15.21%	140,353,583	-	0	140,353,583		
Tailun (Thailand) Textile Co., Ltd.		Foreign legal person	12.82%	118,232,400	-	118,232,400	0		
Hong Kong Securities Clearing Co. Ltd		Foreign legal person	3.69%	34,015,548	16,189,393	0	34,015,548		
Central Huijin Assets Management Co., Ltd.		State-owned legal person	2.20%	20,315,300	-	0	20,315,300		
T.Rowe Price Intl Discovery Fund		Foreign legal person	2.16%	19,948,219	-	0	19,948,219		
China Securities Finance Corporation Limited		Other	1.98%	18,313,391	2,634,300	0	18,313,391		
National Social Security Fund Portfolio 103		Other	1.30%	11,999,947	11,999,947	0	11,999,947		
Hong Kong Monetary		Other	1.26%	11,635,393	3,220,756	0	11,635,393		

Authority-self-owned funds								
Bosera Selected Mixed Securities Investment Fund	Other	1.08%	9,991,034	9,991,034	0	9,991,034		
Invesco Great Wall Energy Capital Construction Mixed Securities Investment Fund	Other	1.08%	9,939,476	9,939,476	0	9,939,476		
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)		Naught						
Related or acting-in-concert parties among the shareholders above		Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder as well as sponsor of foreign capital of the Company. All of other shareholders are people holding public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.						
Top 10 unrestricted shareholders								
Name of shareholder		Unrestricted shares held at the period-end			Shares by type			
					Type		Shares	
Zibo Lucheng Textile Investment Co., Ltd.		140,353,583			RMB ordinary share		140,353,583	
Hong Kong Securities Clearing Co. Ltd		34,015,548			RMB ordinary share		34,015,548	
Central Huijin Assets Management Co., Ltd.		20,315,300			RMB ordinary share		20,315,300	
T.Rowe Price Intl Discovery Fund		19,948,219			Domestically listed foreign share		19,948,219	
China Securities Finance Corporation Limited		18,313,391			RMB ordinary share		18,313,391	
National Social Security Fund Portfolio 103		11,999,947			RMB ordinary share		11,999,947	
Hong Kong Monetary Authority-self-owned funds		11,635,393			RMB ordinary share		11,635,393	
Bosera Selected Mixed Securities Investment Fund		9,991,034			RMB ordinary share		9,991,034	
Invesco Great Wall Energy Capital Construction Mixed Securities Investment Fund		9,939,476			RMB ordinary share		9,939,476	
Invesco Great Wall Hugangshen Selected Stock Securities Investment Fund		6,769,285			RMB ordinary share		6,769,285	
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 shareholders		Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder as well as sponsor of foreign capital of the Company. All of other shareholders are people holding public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.						

Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A
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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.

☐ Yea ☒ No

No such cases in the Reporting Period.

2. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a natural person

Type of the controlling shareholder: legal person

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

Change of the controlling shareholder in the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

Nature of the actual controller: Domestic natural person

Type of the actual controller: natural person

Name of the actual controller	Relations with the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
Liu Zibin	In person	China	No
Liu Deming	Concerted action (including agreement, relatives, and same control)	China	No

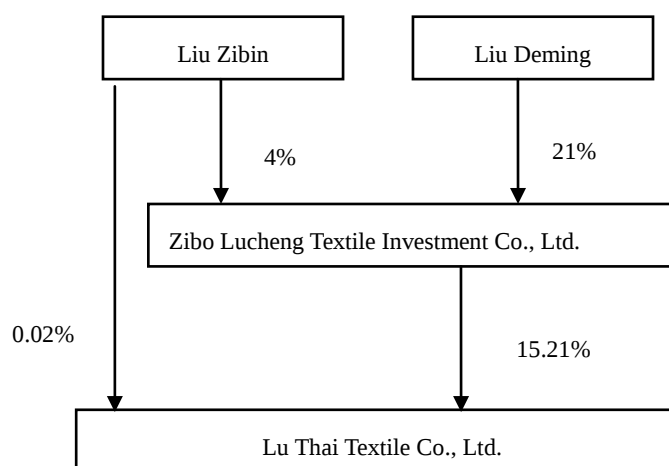
Professions and titles	Liu Zibin is the Chairman of the Board and GM of Lu Thai Textile Co., Ltd. , Liu Deming is the Chairman of the Board and GM of Zibo Lucheng Textile Investment Co., Ltd.
Particulars about listed companies with shares ever held by the actual controller over the past 10 years	N/A

Change of the actual controller during the Reporting Period:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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



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

☐ Applicable ☒ Not applicable

4. Other 10% or Greater Corporate Shareholders

☒ Applicable ☐ Not applicable

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Business scope
Tailun (Thailand) Textile Co., Ltd.	Xu Zhinan	29 January 1985	600 million baht (Thai)	600 million baht (Thai)

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

☐ Applicable ☒ Not applicable

Part VII Preferred Shares

☐ Applicable ☒ Not applicable

No preferred shares in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liu Zibin	Chairman and GM	Incumbent	Male	54	6 June 2007	5 June 2019	148,290				148,290
Xu Zhinan	Vice President	Incumbent	Male	89	6 May 2004	5 June 2019					
Fujiwara Hidetoshi	Director	Incumbent	Male	79	7 May 1998	5 June 2019					
Chen Ruimou	Director	Incumbent	Male	75	16 April 2000	5 June 2019					
Zeng Facheng	Director	Incumbent	Male	68	6 June 2007	5 June 2019					
Wang Fangshui	Director, Vice GM, and Chief Engineer	Incumbent	Male	58	7 May 1998	5 June 2019	146,753				146,753
Liu Deming	Director	Incumbent	Male	28	12 May 2017	9 June 2019					
Qin Guiling	Director and Secretary of the Board	Incumbent	Female	53	7 May 1998	5 June 2019	126,542				126,542
Zhang Hongmei	Director and Chief Accountant	Incumbent	Female	49	6 June 2016	5 June 2019	92,500				92,500
Xu Jianjun	Independent Director	Incumbent	Male	45	6 June 2013	5 June 2019					
Zhao Yao	Independent	Incumbent	Male	49	19 September 2014	5 June 2019					

	Director										
Bi Xiuli	Independent Director	Incumbent	Female	52	6 June 2016	5 June 2019					
Pan Ailing	Independent Director	Incumbent	Female	54	6 June 2016	5 June 2019					
Wang Xinyu	Independent Director	Incumbent	Male	52	6 June 2016	5 June 2019					
Zhang Shougang	Supervisory Committee Chairman	Incumbent	Male	49	8 February 2018	5 June 2019	73,100				73,100
Liu Zilong	Supervisor	Incumbent	Male	51	6 June 2007	5 June 2019	10,000				10,000
Dong Shibing	Supervisor	Incumbent	Male	50	6 June 2007	5 June 2019	5,000				5,000
Zhang Jianxiang	Vice GM	Incumbent	Male	51	6 June 2007	5 June 2019	52,150				52,150
Wang Jiabin	Vice GM, Product Manager	Incumbent	Male	56	6 June 2007	5 June 2019	83,700				83,700
Zhang Zhanqi	Vice GM, GM of Lufeng Company	Incumbent	Male	47	6 June 2007	5 June 2019	80,300				80,300
Fujiwara Matsuzaka	Manager of Japan Office	Incumbent	Male	46	9 December 2014	5 June 2019					
Zhang Keming	Financial Manager	Incumbent	Male	51	6 June 2007	5 June 2019	77,700				77,700
Li Wenji	CIO	Incumbent	Male	52	8 June 2016	5 June 2019	10,000				10,000
Lv Yongchen	Vice GM of Lufeng Company	Incumbent	Male	51	6 June 2007	5 June 2019	33,750				33,750
Yu Shouzhen	Energy Business	Incumbent	Male	51	6 June 2007	5 June 2019	83,100				83,100

g	Manager										
Wang Changzha o	GM assistant, Fabric Marketin g Manager	Incumben t	Male	45	6 June 2013	5 June 2019	22,500				22,500
Quan Peng	Brand Marketin g manager	Incumben t	Male	52	6 June 2013	5 June 2019	27,750				27,750
Shang Chenggan g	Manager of Garments Productio n Departme nt	Incumben t	Male	46	6 June 2013	5 June 2019	30,000				30,000
Du Lixin	Deputy chief engineer, GM of Lu Thai (Vietnam)	Incumben t	Male	43	18 January 2018	5 June 2019					
Guo Heng	Manager of Business Managem ent	Incumben t	Male	46	18 January 2018	5 June 2019					
Zhang Wei	GM assistant and Manager of Strategy Planning Departme nt	Incumben t	Male	33	18 January 2018	5 June 2019					
Li Tongmin	Superviso ry Committe e	Former	Male	63	18 January 2018	5 June 2019	176,164				176,164

	Chairman										
Pan Pingli	Customs Manager	Former	Male	51	6 June 2007	18 January 2018	134,296	4,300			138,596
Total	--	--	--	--	--	--	1,413,595	4,300	0	0	1,417,895

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Li Tongmin	Supervisory Committee Chairman	Left	18 January 2018	Retired
Qin Guiling	Vice GM	Dismissed	18 January 2018	Job turnover
Zhang Shougang	Vice GM	Dismissed	18 January 2018	Job turnover
Zhang Shougang	Supervisory Committee Chairman	Appointed	8 February 2018	
Pan Pingli	Customs Manager	Dismissed	18 January 2018	Job turnover
Du Lixin	GM of Lu Thai (Vietnam)	Appointed	18 January 2018	
Guo Heng	Manager of Business Management	Appointed	18 January 2018	
Zhang Wei	GM assistant and Manager of Strategy Planning Department	Appointed	18 January 2018	

III Biographical Information

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

1. Mr. Liu Zibin: Director and concurrently General Manager of the Company. He was born in 1965, and achieved Master Degree. From Oct. 2004 to Jun. 2007, he acted as Chairman of the Board of Zibo Lucheng Textile Investment Co., Ltd, now concurrently was Chairman of the Board of Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile, Lufeng Weaving & Dyeing, Luqun Textile, Xinsheng Thermal Power, Chengshun Thermal Power, Shanghai Li Thai, and Beijing Lu Thai Youxian, and the President of Lu Thai (America), Director of Lu Thai (Hong Kong) and Shanghai Zhinuo Textile New Material Co., Ltd.
2. Mr. Xu Zhinan: Vice Chairman of the Board of the Company. He was born in 1930, Thailand Nationality. Since 2004, he has been acting as Director and Vice Chairman of the Board of the Company, and General Manager of Tailun (Thailand) Textile Co., Ltd.
3. Mr. Fujiwara Hidetoshi: Director of the Company. He was born in 1940, Japanese Nationality. Since 1998, he has been holding post of Director of Lu Thai Company, and Director of Lufeng Weaving & Dyeing Co., Ltd.
4. Mr. Chen Ruimou: Director of the Company. He was born in 1944, and holder of bachelor degree. From 1998 to now, he has been Director of the Company.
5. Mr. Zeng Facheng, Director of the Company, was born in 1951, Thailand nationality. He acts as Chairman of the Board of GOLD MINE GARMENT CO., LTD. and BLOSSOM GARMENT MANUFACTURING (THAILAND) CO., LTD.
6. Mr. Wang Fangshui: Director, Vice General Manager and Chief Engineer of the Company. He was born in 1961, holder of MBA degree. Since 1998, he has been Director and Chief Engineer of the Company, and concurrently is Director of Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Lufeng Weaving & Dyeing, Xinjiang Lu Thai, Luqun Textile, and Shanghai Zhinuo Textile New Material Co., Ltd, and the Executive Director of Lu Thai (Burma).
7. Mr. Liu Deming: Director, Assistant of GM of the Company. He was born in 1990, and achieved Master Degree. He is the Chairman and GM of Zibo Lucheng Textile Investment Co., Ltd, the supervisor of Beijing Lu Thai Youxian, and the director of

Shanghai Zhinuo Textile New Material Co., Ltd.

8. Ms. Qin Guiling: Director, and Secretary to the Board of the Company. She was born in 1966, holder of MBA degree. Since 1998, she has been Director and Secretary to the Board of the Company, and Supervisor of Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd.

9. Ms. Zhang Hongmei: Chief Accountant. She was born in 1970; holder of MBA degree and senior accountant. She had served successively as Chief of cost section of financial department of Lu Thai Textile Co., Ltd., director of the accounting department and deputy chief accountant. Now she serves as Chief Accountant of the Company. At the same time, she is the director of Luqun Textile, and supervisor of Beijing Lu Thai Youxian and Shanghai Zhinuo Textile New Material Co., Ltd

10. Mr. Xu Jianjun: Independent Director of the Company, born in 1974, master degree holder. Once took the post of Senior Staff Member of Head Office of Bank of China, Legal Counsel, lawyer at Beijing Jingtian Gongsheng Law Firm. From August of 2004 up to now, serves as a partner of Beijing Deheng Law Firm. Now he is taking a post of partner and Deputy Director of Beijing Deheng Law Firm.

11. Mr. Zhao Yao: Independent Director of the Company, born in 1970, master degree holder, associate professor of accounting, master tutor and successively acted as member of a council of Accounting Association in Shandong Province, executive member of the council of Shandong Province Institute of CPAs, member of Shandong Province internal control consultant experts, member of Shandong Province accounting criterion consultant experts and currently act as Director of Department of Accounting of Shandong University of Technology.

12. Ms. Bi Xiuli: female, independent director of the Company, born in 1967, master. She worked as a judge of Zibo Intermediate People's Court from 1990 to 1996, worked as a lawyer of Beijing Jingwei Law Firm from 2002 to 2003, worked as a lawyer of Beijing King & Capital Law Firm from 2003 to 2004, worked as a partner of Beijing JunZeJun Law Offices from 2004 to 2011 and works as a partner of Beijing DeHeng Law Offices now.

13. Ms. Pan Ailing: female, independent director of the Company, born in 1965, doctor of economics, postdoctor of financial management. Now, she works as a professor, doctoral supervisor and academic leader of accounting in School of Management of Shandong University, the director of investment and financing research center of Shandong University, a member of Shandong Accounting Society, an executive member of Shandong Research Society of Comparative Management and a visiting professor of Taiwan Soochow University.

14. Mr. Wang Xinyu: male, independent director of the Company, born in 1967, master, certified public accountant, certified tax agent and certified public assets estimator. From December 2007 to August 2013, he worked in Zhonglei Accounting Firm as the vice general manager of Shandong branch. Now he works as the senior partner and director of Shandong branch of Reanda Certified Public Accountants (special general partnership).

15. Mr. Zhang Shougang: male, chairman of supervisory committee, born in 1970, MBA, senior engineer. He once worked as the factory manager of weaving factory of the Company, manager of weaving business division, quality management department, Garments Production Department, and business management division.

16. Mr. Liu Zilong: Supervisor of the Company. He was born in 1968, holder of MBA degree. From 2002 to present, he was General Manager of Lu Thai (Hong Kong).

17. Mr. Dong Shibing: Supervisor of the Company. He was born in 1969, graduated from technical secondary school. He ever took the post of Deputy Director of the General Manager Office of the Company, and now holds post of Manager of Property Management Company.

18. Mr. Zhang Jianxiang: male, vice general manager of the Company & the executive director of Lu Thai Textile Garment Engineering Research Institute, born in 1968, Master of Business Administration. He once worked as the manager of quality management department of the Company and the director of textile finishing factory.

19. Mr. Wang Jiabin: General Manager Assistant and Manager of Production Department of the Company, head of security checkpoint of production department. He was born in 1963, MBA and once acted as Manager of Dyeing Business Department.

20. Mr. Zhang Zhanqi: General Manager Assistant and deputy General Manager in Lufeng Weaving & Dyeing of the Company. He was born in 1972, MBA, once worked as Director of Fabric Finishing Plant and Manager of Quality Control Department.

21. Mr. Fujiwara Matsuzaka: Manager in Japan office. He was born in 1973 and had acted as Manager of International Business Department I and clothes marketing department of the Company.

22. Mr. Li Wenji: male, CIO & manager of information department of the Company, born in 1967. He once worked as a teacher in Shandong University of Finance and Economics. From July 2005 to now, he works as the manager of information department of the Company. In 2016, he was employed as chief information officer of the Company.

23. Mr. Zhang Keming: Manager of Financial Department of the Company. He was born in 1968, MBA and senior accountant. From 2002 to 2006, he held the post of Deputy Manager of Financial Department; from Apr. 2006 to present, he has acted as Manager of Financial Department.

24. Mr. Lv Yongchen: Deputy General Manager of Lufeng Weaving and Dyeing Co., Ltd. He was born in 1968 and MBA degree holder. From 2002 to 2010, he acted as Deputy Manager of International Business Department in the Company.

25. Mr. Yu Shouzheng: Energy Business Manager of the Company. He was born in 1968, MBA degree holder and engineer. He once worked as Director of Dynamic Department in the Company. From 2007 to present, he has acted as Manager of Energy Business Department in the Company.

26. Mr. Wang Changzhao: GM assistant, manager of fabric marketing department of the Company. He was born in 1974 and had acted as General Manager Assistant of International Business Department.

27. Mr. Quan Peng: Manager of brand expanding department of the Company. He was born in 1967, MBA degree holder. From 2004 to present, he has acted as Marketing Manager.

28. Mr. Shang Chenggang: manager of garments production department of the Company, born in 1973. He once worked as the vice director and director of general manager office, the manager of enterprise manager department and the representative of managers.

29. Mr. Du Lixin: deputy chief engineer, GM of Lu Thai (Vietnam) Textile Co., Ltd, born in 1975. He once held the posts of spinning operator, planner of weaving factory, deputy director of production dept. control center, director of weaving factory, manager of weaving business division, and vice manager of production dept. of the Company.

30. Mr. Guo Heng: manager of business management dept. of the Company, born in 1972. He once worked as deputy director of spinnery, vice manager of yarn business division, and manager of yarn business division of the Company.

31. Mr. Zhang Wei, GM assistant and manager of strategy planning dept. of the Company, born in 1985, doctor. He once worked as the reasearcher of Guotai Junan Securities Co., Ltd and China Asset management Co., Ltd. Now he acts as the director of Beijing Lu Thai Youxian E-commerce Co., Ltd., and Shanghai Zhinuo Textile New Material Co., Ltd

32. Mr. Li Tongmin: male, born in 1956, technical secondary school education. Now he works as chairman of the labor union of the Company. From October 1993 to 2010, he worked as supervisor, chairman of supervisory committee, manager of production department and vice general manager of the Company.

33. Mr. Pan Pingli: Customs Manager of the Company. He was born in 1968 and MBA degree holder. He ever acted as General Manager of International Business Department of the Company.

Offices held concurrently in shareholding entities:

√Applicable □Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liu Zibin	Zibo Lucheng Textile Investment Co., Ltd.	Director	26 February 1999		No
Xu Zhinan	Tailun (Thailand) Textile Co., Ltd.	Chairman	29 January 1985		No
Liu Deming	Zibo Lucheng Textile Investment Co., Ltd.	Chairman and GM	1 February 2017		No

Explanation s about holding posts in shareholders ' companies	Mr. Liu Zibin is the Director of Zibo Lucheng Textile Investment Co., Ltd., holding 4% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Zibin: Chinese, no right of residence in other countries or regions. Mr. Liu Deming holds the post of Chairman and GM of Zibo Lucheng Textile Investment Co., Ltd., holding 21% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Deming: Chinese, no right of residence in other countries or regions. Mr. Xu Zhinan is the sponsor of foreign capital of the Company, shareholder of Tailun (Thailand) Textile Co., Ltd. and Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder of the Company. Basic information about Mr. Xu Zhinan: Thai.
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Offices held concurrently in other entities:

√Applicable □Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Liu Zibin	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Thermal Power Co., Ltd., Zibo Chengshun Thermal Power Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd., Beijing Lu Thai Youxian E-commerce Co., Ltd., Lu Thai (America) Textile Co., Ltd. Lu Thai (HK) Textile Co., Ltd, Shanghai Zhinuo Textile New Material Co., Ltd	Chairman, Director, Chairman of and GM	7 December 2015		No
Wang Fangshui	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Lu Thai (Burma) Textile Co., Ltd., Lu Thai (Vietnam) Textile Co., Ltd., and Shanghai Zhinuo Textile New Material Co., Ltd	Director and Supervisor	17 June 2003		No
Liu Deming	Shanghai Zhinuo Textile New Material Co., Ltd and Beijing Lu Thai Youxian E-commerce Co., Ltd.	Director and Supervisor	21 August 2017		No
Qin Guiling	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., and Xinjiang Lu Thai Textile Co., Ltd	Supervisory Board Chairman	17 June 2003		No
Zhang Hongmei	Zibo Luqun Textile Co., Ltd., Beijing Lu Thai Youxian E-commerce Co., Ltd., and Shanghai Zhinuo Textile New Material Co., Ltd	Director and Supervisor	17 June 2003		No
Xu Jianjun	Beijing Deheng Law Offices	Partner	1 August 2004		Yes
Zhao Yao	Shandong University of Technology	Associate Professor	1 March 2001		Yes
Bi Xiuli	Beijing Deheng Law Offices	Partner	1 January 2011		Yes

Pan Ailing	Shandong University School of Management	Professor	1 July 1986		Yes
Wang Xinyu	Reanda Certified Public Accountants Shandong Branch	Director	1 August 2013		Yes
Zhang Jianxiang	Beijing Lu Thai Youxian E-commerce Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd.,	Director and Supervisor	30 December 2010		No
Du Lixin	Lu Thai (Vietnam) Textile Co., Ltd.	GM	29 December 2015		No
Zhang Wei	Beijing Lu Thai Youxian E-commerce Co., Ltd., and Shanghai Zhinuo Textile New Material Co., Ltd	Director	23 May 2014		Yes

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

☐ Applicable ☒ Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

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

Remuneration committee under the board of directors is responsible for formulating assessment standards of directors and senior executives and conducting assessment; for formulating and reviewing remuneration policy and program of directors and senior executives; it is responsible for the board of directors. The remuneration committee, according to appraisal results of position performance and motivation and restriction plan for senior executives, proposes amount of payment and methods of reward for directors and senior executives and submits the above resolutions to the board of directors for ratification after the approval by voting.

The Chief Accountant Office, the Corporate Management Department and the HR Department of the Company was responsible for preparations for the decision-making of the Remuneration and Appraisal Committee by providing relevant information of the Company as follows: (I) accomplishment of main financial and business objectives; (II) accomplishment of relevant indicators of other listed companies in the sector; (III) work scope and main responsibilities of senior management staff.

The remuneration committee appraised directors and senior management staff according to the completion situation of the Company's performance and the annual appraisal results of senior management staff were put forward according to the performance appraisal results and the senior staff incentive and disciplinary plan. Upon approval by voting, the results were reported to the Board of Directors for approval.

The number of incumbent directors, supervisors and senior executives is 31, among which there are 31 persons actually receiving remuneration from the Company. Till 31 December 2018, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB23.5271million (before tax).

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

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liu Zibin	Chairman and GM	Male	54	Incumbent	147.59	No
Xu Zhinan	Vice President	Male	89	Incumbent	37.35	No
Fujiwara Hidetoshi	Director	Male	79	Incumbent	374.5	No
Chen Ruimou	Director	Male	75	Incumbent	37.35	No
Zeng Facheng	Director	Male	68	Incumbent	1.19	No
Wang Fangshui	Director and Vice GM and Chief Engineer	Male	58	Incumbent	156.5	No
Liu Deming	Director	Male	28	Incumbent	14.13	No
Qin Guiling	Director and Chairman Secretary	Female	53	Incumbent	162.97	No
Zhang Hongmei	Director and Chief Accountant	Female	49	Incumbent	106.61	No
Xu Jianjun	Independent Director	Male	45	Incumbent	4.8	No
Zhao Yao	Independent Director	Male	49	Incumbent	4.8	No
Bi Xiuli	Independent Director	Female	52	Incumbent	4.8	No
Pan Ailing	Independent Director	Female	54	Incumbent	4.8	No
Wang Xinyu	Independent Director	Male	52	Incumbent	4.8	No
Zhang Shougang	Supervisory Board Chairman	Male	49	Incumbent	91.95	No
Liu Zilong	Supervisor	Male	51	Incumbent	72.3	No
Dong Shibing	Supervisor	Male	50	Incumbent	69.24	No
Zhang Jianxiang	Vice GM	Male	51	Incumbent	108.16	No
Wang Jiabin	Vice GM, Product Manager	Male	56	Incumbent	101.98	No
Zhang Zhanqi	Vice GM, GM of Lufeng Company	Male	47	Incumbent	93.17	No
Fujiwara Matsuzaka	Manager of Japan Office	Male	46	Incumbent	113.12	No
Zhang Keming	Financial Manager	Male	51	Incumbent	69.61	No
Li Wenji	CIO	Male	52	Incumbent	63.16	No
Lv Yongchen	Vice GM of Lufeng Company	Male	51	Incumbent	69.57	No
Yu Shouzheng	Energy Business Manager	Male	51	Incumbent	69.57	No
Wang Changzhao	GM assistant, Fabric Marketing Manager	Male	45	Incumbent	71.77	No

Quan Peng	Brand Marketing manager	Male	52	Incumbent	71.53	No
Shang Chenggang	Manager of Garments Production Department	Male	46	Incumbent	70.62	No
Zhang Wei	GM assistant and Manager of Strategy Planning Department	Male	33	Incumbent	98.57	Yes
Guo Heng	Manager of Business Management	Male	46	Incumbent	22.15	No
Du Lixin	Deputy chief engineer, GM of Lu Thai (Vietnam)	Male	43	Incumbent	34.05	No
Total	--	--	--	--	2,352.71	--

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

☐ Applicable ☒ Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	13,207
Number of in-service employees of major subsidiaries	12,644
Total number of in-service employees	25,851
Total number of paid employees in the Reporting Period	25,851
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production	19,292
Sales	553
Technical	5,232
Financial	99
Administrative	675
Total	25,851
Educational backgrounds	
Educational background	Employees
Doctor	5
Master	99
Bachelor	1,145
College	5,354

High school and below	19,248
Total	25,851

2. Employee Remuneration Policy

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

3. Employee Training Plans

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

4. Labor Outsourcing

☐ Applicable ☒ Not applicable

Part IX Corporate Governance

I General Information of Corporate Governance

During the Reporting Period, the Company strictly conforms to Company Law, Securities Law and Governing Rules for Listed Company, Stock Listing Rules of Shenzhen Stock Exchange, and Standard Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange as well as relevant stipulations and requirements from normative documents. It formed a relationship of clear division of rights and responsibilities, assuming each own functions and check and balance each other between the management organ, decision-making organ, supervisory organ and management layer, so as to provide a good internal operational environment for the Company's standardized and efficient operation. During the Reporting Period, the Company revised Articles of Lu Thai Textile Co., Ltd. At present, there is no difference between the actual situation of the Company's corporate governance structure and the requirements on the corporate governance of CSRC and Shenzhen Stock Exchange.

1. Shareholders and Shareholders' General Meeting

The Company shall gather and convene the shareholders meeting in strict accordance with the regulations in the Rules of Procedure of Shareholders' Meeting. In 2018, according to Company Law of the PRC, Securities Law of the People's Republic of China, Regulation Guidelines for Listed Companies No. 3-cash Dividends for Listed Companies (CSRC), Notice on Further Implementation of Matters Related To Cash Dividend of Listed Companies and other related documents, the Company revised some articles of the Articles of Association regarding "the priority of Cash dividend method in profit distribution, the implementation of differentiated cash dividend policy", in order to ensure that the profit distribution of the Company not only attaches importance to the reasonable return on investment to the investors, but also implements the principle of continuous and stable profit distribution, takes into account the overall interests of all shareholders and the sustainable development of the Company.

2. The relationship between the principal shareholders and the Company

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

3. The directors and Board of Directors

In 2018, according to Company Law of the PRC, Securities Law of the People's Republic of China, the Company standardized some articles of the Articles of Association regarding the nomination and election of directors, replacement of Board of Directors, qualifications for non-independent directors, etc. The Company nominates and elects directors in strict accordance with the provisions of the Articles of Association. The composition of the Board of Directors and the number of independent directors meet the requirements of laws and regulations. Directors and independent directors fully enjoy the functions and powers given by the Company Law and the Articles of Association to ensure the scientific and fair decision-making of the Board of Directors of the Company.

4. Supervisors and Supervisory Committee

In 2018, according to Company Law of the PRC, Securities Law of the People's Republic of China, the Company standardized some articles of the Articles of Association regarding the nomination of candidates for shareholders and supervisors. The Board of Supervisors and supervisors of the Company can strictly enforce relevant regulations, conscientiously perform their duties, uphold the tenet of being responsible to shareholders and to listed companies, strictly inspect the financial affairs of the Company, and supervise the performance of directors and senior executives.

5. Information disclosure

The Company strictly conforms to the Administrative Measures for the Disclosure of Information of Listed Companies by CSRC, Stock Listing Rules (Revised in 2018) of Shenzhen Stock Exchange, and Standard Operation of Companies Listed on the Main Board (Revised in 2015) and other relevant provisions, disclosing the information timely, objectively and justly to ensure the truthfulness, accuracy, completeness.

6. Investor relations management

During the reporting period, to maintain good communication with investors, the Company accepted on-site investigations and consultations of investors through on-site investigations and telephone consultations, and promptly answered questions asked by investors on the SZSE Easy-IR.

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

☐ Yes ☒ No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

1. As for the business: the Company completely separates from the controlling shareholders in the business that possesses the entirely independent production, supply and sales system and the autonomous operating ability.

2. As for the personnel: the Company remains completely independent in the Human Resources aspects such as the labor, the personnel and the wages with entirely independent self-controlling ability.

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

4. As for the institution: the organizations and institutions of the Company are all independent and perfect that there is no any situation of working with the controlling shareholders.

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

III Horizontal Competition

☐ Applicable ☒ Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 1 st Extraordinary General Meeting of 2018	Extraordinary General Meeting	0.00%	8 February 2018	9 February 2018	Announcement on the Resolution of the Meeting (No.: 2018-007) disclosed on 9 February 2018 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn

The 2 nd Extraordinary General Meeting of 2018	Extraordinary General Meeting	0.00%	23 March 2018	24 March 2018	Announcement on the Resolution of the Meeting (No.: 2018-013) disclosed on 24 March 2018 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn
The 2017 Annual General Meeting	Annual General Meeting	0.00%	16 May 2018	17 May 2018	Announcement on the Resolution of the Meeting (No.: 2018-025) disclosed on 17 May 2018 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn
The 3 rd Extraordinary General Meeting of 2018	Extraordinary General Meeting	0.00%	18 September 2018	19 September 2018	Announcement on the Resolution of the Meeting (No.: 2018-042) disclosed on 19 September 2018 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn

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

Rights

☐ Applicable ☒ Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to attend	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended
Xu Jianjun	8	1	6	1	0	No	0
Zhao Yao	8	1	6	1	0	No	0
Bi Xiuli	8	1	5	2	0	No	1
Pan Ailing	8	1	6	1	0	No	0
Wang Xinyu	8	2	6	0	0	No	1

Why any independent director failed to attend two consecutive board meetings:

Not applicable.

2. Objections Raised by Independent Directors on Matters of the Company

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

☐ Yes ☒ No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

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

☒ Yes ☐ No

Suggestions from independent directors adopted or not adopted by the Company:

The Independent Directors of the Company had not raised any objection to the proposals and other events approved and reviewed by the Board of the Directors while executed the carefully review on the events needed advices and put forward the professional suggestion and advice as well as stated 15 independent advices which improved the scientificity and objectivity of the decision-making that exerted the due role on the supervision mechanism for improving the Company.

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

I. Duty fulfillment of Audit Committee under the Board

1. Major work of the 2018 annual report of the Audit Committee:

(1) The Audit Committee had held the 2018 the 1st Meeting of the Audit Committee on the Financial Audit Work in the meeting room of the Company on 27 November 2018 and the meeting had confirmed the time and arrangement plan of the 2018 annual financial audit work unanimously with the 2018 Audit Institution Ruihua CPAs (LLP).

(2) On 12 January 2019, the Audit Committee had held the 2nd Meeting of the 2018 Audit Work, which reviewed and submitted the financial report audited by Ruihua CPAs (LLP) and issued the written advice.

(3) During the audit process, the Company had been maintained the contract and communication with the project leader of Ruihua CPAs (LLP) by the methods such as the telephones and e-mails and had been urged which to submit the audit report within the appointed time.

(4) The 3rd Meeting on 2018 Annual Audit and the 2018 Annual Work Conference, were convened by the Committee on 27 March 2019, where the following proposals were approved as resolutions, namely, the audited 2018 Financial Report of the Company, the Summary Report on the Audit Conducted by Ruihua CPAs (LLP) on the Company's 2018 Financial Report.

2. Written opinions, summary report of the annual audit, and resolutions of 2018 Work Conference on Annual Report by Audit Committee

(1) According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. The Committee reviewed the 2018 financial and accounting statements prepared by the Company's Financial Department before the presence of the registered accountants for the annual audit, and expressed its opinion as follows:

1. The financial and accounting statements were prepared in accordance with the Company's accounting policy with proper application of the accounting policy and reasonable accounting estimates, which were in line with the New Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises, and the relevant regulations issued by the Ministry of Finance of PRC;

2. The subsidiary statements included in the Company's consolidated statements were complete in terms of contents, providing an accurate basis for the statement combination;
3. The Company's financial statements were found objective, factual and accurate with no major misstatements or information omission.
4. Since there is still a certain period of time from this review of the financial statements to the formal issuance of the auditor's report and the financial statements, the Company's Financial Department is advised to pay close attention to and carefully handle the matters after the balance sheet date, so as to ensure the fairness, factuality and completeness of the financial statements. The Audit Committee is of the opinion that the financial and accounting statements are ready to be submitted to the registered accountants for audit.

(2) Audit Committee's written opinion on the Company's financial statements after the preliminary audit opinion was issued by Ruihua CPAs (LLP):

According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. We effectively communicated with the said CPA firm (LLP) at the beginning of the audit. And we once again reviewed the Company's 2018 financial and accounting statements following the preliminary audit opinion to the Company's 2018 financial statements issued by the CPA firm (LLP), and expressed our opinions as follows:

In accordance with the New Accounting Standards for Business Enterprises and the Company's relevant financial rules, the financial statements were prepared in a rational and standardized way, which fairly, factually, accurately and completely presented the Company's assets, liabilities, shareholders' equity and operation results by 31 December 2018.

The Audit Committee is of the opinion that the Company's 2018 financial and accounting statements preliminarily audited by RSM China Certified Public Accountants (Special General Partnership) are ready to be submitted to the 24th Meeting of the 8th Board of the Directors for review.

(3) Resolutions made at 2018 Annual Work Conference of Audit Committee of the Board

The Audit Committee of the Board of Lu Thai Textile Co., Ltd. held its 2018 Annual Work Conference at Banyang Villa Meeting Room of the Company on 27 March 2019. Three persons were supposed to attend the meeting, and all three of them were in fact present at the meeting as well as the Chief Accountant, the Manager Assistant of the Audit Department, the project responsible person of Lu Thai of Ruihua CPAs attended the meeting. Mr. Zhao Yao, Chairman of the Audit Committee, presided over the meeting. The meeting was convened in accordance with the Company Law and the Articles of Association of the Company. And the following proposals were passed by vote at the meeting:

- I. With 3 favorable votes, 0 negative votes and no abstentions, the 2018 Financial Report of the Company audited by Ruihua CPAs (LLP) was passed;
- II. With 3 favorable votes, 0 negative votes and no abstentions, the Summary Report on the Audit Conducted by Ruihua CPAs (LLP) on the Company's 2018 Financial Report was passed;
- III. With 3 favorable votes, 0 negative votes and no abstentions, the Company paid RMB1.735 million to the said CPAs firm as fees for the 2018 annual financial report audit and internal control audit.
- IV. With 3 favorable votes, 0 negative votes and no abstentions, the Proposal on Employment of Ruihua CPAs (LLP) as the Company's audit agency for 2019 Finance and Internal Control was passed.

The Committee agrees to submit the above-mentioned proposals I and III and IV to the Board of Directors for examination on the 24th Meeting of the 8th Board of Directors.

II. Duty performance of Remuneration Committee affiliated to the Board of Directors

1. The Remuneration Committee of the Board of Lu Thai Textile Co., Ltd. held the First Conference in 2018 at Banyang Villa Meeting Room of the Company on 15 April 2018. Five persons were supposed to attend the meeting, and all of them were in fact

present at the meeting. The meeting held by the Company met with the relevant regulations of Company Law and the Articles of Association of the Company and reviewed and approved the Proposal on the 2017 Appraisal Result of the Senior Executives of Lu Thai Company by the voting method and agreed to submit the above-mentioned proposal to the Board of Directors for examination on the 16th Meeting of the 8th Board of Directors.

2. According to authorization of the 16th Meeting of the 8th Board of Directors of Lu Thai, remuneration committee of board of directors of Lu Thai Textile Co., Ltd. held the second Meeting of 2018 in the meeting room of Panyang Villa Meeting Room of the Company on 23 May 2018. Five persons should attend the meeting and five persons actually attended the meeting. Among the five persons, Zhao Yao, and Pan Ailing voted in the form of communication. Chief accountant and the secretary of board of directors also attended the meeting. The meeting accorded with relevant stipulations in Company Law and Articles of Company. Proposal for Risk Fund Assessment and Release Amount for 2017 was passed at the meeting in voting form.

III. Duty execution of the strategy committee of board of directors

The Strategy Committee of Board of Directors of Lu Thai Textile Co., Ltd. held the 1st Conference of 2018 in the meeting room of Panyang Villa Meeting Room of the Company on 15 April 2018. 13 persons should attend the meeting and 13 persons actually attended the meeting. This meeting was hosted by Liu Liu Zibin, the president of strategy committee. The meeting accorded with relevant stipulations in Company Law and Articles of Association and passed the following proposals in voting form.

1. Overall Strategic Objectives of Yarn Dyed Fabric of Lu Thai Textile Co., Ltd. for 2018-2020.
2. Overall Strategic Objectives of Shirts Processing of Lu Thai Textile Co., Ltd. for 2018-2020.
3. R&D, human resources, fabric information, and clothing manufacture information engineering, and design development sub-plan.
4. Overall Strategic Objectives of Lu Thai Textile Co., Ltd. for 2018-2020

IX. Duty performance of nominations committee affiliated to the Board of Directors

1. The Company held the 1st Meeting of 2018 of the nominations committee of the 8th Board of Directors on 17 January 2018 according to the relevant regulations of the Company Law and Articles of Association, with 6 favorable votes, 0 negative votes and no abstentions, which reviewed and approved the Proposal on Nominating Du Lixin, Guo Heng, and Zhang Wei as Senior Executives of the Company. And it was submitted to the 14th Meeting of the 8th Board of Directors for review and approval. The Proposal was reviewed and approved by the 14th Meeting of the 8th Board of Directors.

2. The Company held the 2nd Meeting of 2018 of the nominations committee of the 8th Board of Directors on 15 April 2018 with 7 favorable votes, 0 negative votes and no abstentions, which reviewed and approved the Proposal on Nominating the Members of the By-election of Strategy Committee of 8th Board of Directors. Mr. Liu Deming was nominated as the member of the Strategy Committee of 8th Board of Directors, and the term of office will expire until 5 June 2019. It was submitted to the 16th Meeting of the 8th Board of Directors for review and approval, and the 16th Meeting of the 8th Board of Directors reviewed and approved the proposal.

VII Performance of Duty by the Supervisory Committee

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

☐ Yes ☒ No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

In the Reporting Period, Remuneration Committee of the Board of Directors appraised operating achievements of the Company for the year 2017 according to Incentive and Restricted Proposal for Senior Executives of Lu Thai Textile Co., Ltd, and drew up incentive proposal for senior executives, which will be executed after review and approval by the 16th Meeting of the 8th Board of Directors dated 15 April 2018. During the Reporting Period, the Company constantly improved the performance evaluation

mechanism and made the evaluation and incentive of the Senior Executives concerned with the Company's performances and the individual working results. According to the overall development strategy and the annual operating target of the Company at the period-begin, the Company confirms the annual performance comprehensive indication and the management duty of each Senior Executives, and executes the performance examination and the redemption of the rewards and punishment for the Senior Executives by the Remuneration and Examination Committee affiliated to the Board of Directors at the year-end. The Company will constantly improve the evaluation and incentive mechanism that to tightly concern the salary of the Senior Executives with the management level and the operating performance so that to fully mobilize and inspire the initiative and creativity of them.

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

☐ Yes ☒ No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	29 March 2019	
Index to the disclosed internal control self-evaluation report	For details, please refer to the Self-appraisal Report on Internal Control of Lu Thai Textile Co., Ltd. simultaneously disclosed on www.cninfo.com.cn with the 2018 Annual Report of the Company.	
Evaluated entities' combined assets as % of consolidated total assets	97.51%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	96.57%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	Great defect: malpractices of the Directors, Supervisors and Senior Executives; the Company revised the published financial report; the CPA founded the current financial report occurred significant misstatement while during the operating process of the internal control could not founded the misstatement; the supervision of the Audit Committee and the internal audit institution of the Company on the internal control was invalid. Significant defeat: had not abide by the generally accepted accounting principles to choose and apply the accounting policies;	Great defect: violated the national laws and regulations; the decision-making of the enterprise was not scientific that led to the mistakes of itself; outflow of the management personnel or the technician personnel was serious; frequently appeared the negative news from the Media; the significant business lacked of systematic control or the systematic control was invalid; the result of the internal control assessment which was the great defect event had not been revised. Significant defeat: violated the

	had not built up the anti-fraud and significant counterbalance mechanism and control measures; during the financial report process, there occurred single or multiple defects which not reached the recognition standard of the significant defeat but influenced the true and accurate target of the financial report. General defect: other internal control defect which had not constructed as the great defeat, significant defect.	enterprise internal regulations that caused rather serious losses; significant business lacked of systematic control; outflow of the rather important personnel was serious; the Media reported the negative news that caused rather serious negative influence; rather important business lacked of systematic control or the systematic control was invalid; the results of the internal control assessment which as the significant defect had not been revised. General defect: other internal control defect which had not constructed as the great defeat, significant defect.
Quantitative standard	Great defect: misstatement $\geq$ 2% of the total profits amount; misstatement $\geq$ 0.3% of the total assets amount; misstatement $\geq$ 0.3% of the total operating income; misstatement $\geq$ 0.4% of the total owners' equities amount. Significant defect: 1% of the total profits amount $\leq$ misstatement $<$ 2% of the total profits amount; 0.15% of the total assets amount $\leq$ misstatement $<$ 0.3% of the total assets amount; 0.15% of the total operating amount $\leq$ misstatement $<$ 0.3% of the total operating amount; 0.2% of the total owners' equities amount $\leq$ misstatement $<$ 0.4% of the total owners' equities amount. General defect: misstatement $<$ 1% of the total profits amount; misstatement $<$ 0.15% of the total assets amount; misstatement $<$ 0.15% of the total operating income; misstatement $<$ 0.2% of the total owners' equities amount.	Great defect: the direct financial losses were RMB6 million and above Significant defect: RMB3 million (including RMB3 million)-RMB6 million General defect: RMB0.5 million (including RMB0.5 million)-RMB 3 million
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

X Independent Auditor's Report on Internal Control

√ Applicable □ Not applicable

Opinion paragraph in the independent auditor's report on internal control	
All shareholders of Lu Thai Textile Co., Ltd.: According to Audit Guidelines for Enterprise Internal Control and the relevant requirements of Auditing Standards for Chinese Certified Public Accountants, we have audited the effectiveness of internal control in the financial report of Lu Thai Textile Co., Ltd. (Hereinafter referred to as "Lu Thai Textile") by 31 December 2018. I. Responsibilities of Lu Thai Textile for internal control The Board of Directors of Lu Thai Textile is responsible for establishing, improving and implementation the internal controls and evaluating its effectiveness in accordance with Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control, Enterprise Internal Control Audit Guidelines. III. Responsibilities of certified public accountants It is our responsibility to issue an audit opinion on the effectiveness of internal controls in financial report on the basis of the implementation of the audit, and to disclose significant deficiencies in the internal controls of non-financial reports that have been noted. III. Inherent limitations of internal control Internal control has inherent limitations, and there is a possibility that misreporting cannot be prevented. In addition, because the change of circumstances may cause the internal control to become inappropriate or the degree of compliance with the control policies and procedures is reduced, it is risky to infer the effectiveness of the future internal control based on the audit results of the internal control. IV. Audit Opinion on Internal Control in Financial Report We believe that Lu Thai Textile Co., Ltd. kept effectively internal control on financial reporting in all respects according to Enterprise Internal Control Basic Specification and the relevant provisions on 31 December 2018.	
Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	29 March 2019
Index to such report disclosed	For details, please refer to the Auditor's Report on Internal Control on www.cninfo.com.cn at the same time of disclosing the Company's 2018 Annual Report.
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

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

□ Yes √ No

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

√ Yes □ No

Part X Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

Part XI Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	7 March 2019
Name of the independent auditor	Ruihua Certified Public Accountants LLP
Reference number of Audit Report	Ruihua Audit Report [2019] No. 37010002
Name of the certified public accountants	Wang Chuanshun, and Cui Xiaoli

Text of the Independent Auditor's Report

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

I Opinion

We have audited the financial statements of Lu Thai Textile Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and parent company balance sheets as of 31 December 2018, the consolidated and parent company statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2018, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

II Basis for Opinion

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

III Key Audit Matters

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

(I) Recognition of income

1. Item description

The sales income of Lu Thai Textile Co., Ltd. mainly comes from sales of yarn-dyed fabrics and shirts. The operation income of the Company in 2018 was RMB6,878,414,700, of which export income accounted for 63.25%. As stated in "Note IV 22 Income" and "Note VI. 37 Operating Revenue and Cost of Sales" of the financial statements, for the income from domestic sales, the amount of product sales income is recognized when the products are delivered to purchaser according to the contract. The income is also recognized when the purchase price has been recovered or the receipt certificate has been received and the related economic benefits are likely to flow into the Company, and the product-related costs can be measured in a reliable way. For the income from export

sales, the amount of sales income is recognized when products are declared and depart from port according to the contract, and the bill of lading is received. The income is also recognized when the purchase price has been recovered or the receipt certificate has been received and the related economic benefits are likely to flow into the Company, and the product-related costs can be measured in a reliable way.

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

2. Audit response

- (1) Evaluate and test the rationality of the internal control design related to income recognition and the operation effectiveness.
- (2) Understand and assess whether the accounting policies related to income recognition by interviews with management and review of relevant contract terms conform to the regulations of ASBE.
- (3) Perform analysis procedures on income and costs, and analyze the rationality of fluctuations in sales volume, unit price and gross profit of each month and each year.
- (4) Check the supporting documents such as sales contracts, delivery receipts, invoices, customs declarations, shipping orders and receipts.
- (5) Confirm the balances of major customers and the amount of transactions, and execute the procedure of customs confirmation of the amount of export income for the year 2018.
- (6) Check the export income with the export tax rebate declaration form and the export data of China's electronic port;
- (7) Perform cut-off tests on the income recognized before and after the balance sheet date, check the delivery receipts, invoice, customs declarations, shipping orders and receipts etc. to assess whether the income is recognized within appropriate period.

(II) Inventory falling price reserves

1. Item description

As of 31 December 2018, the inventory balance of Lu Thai Textile Co., Ltd. was RMB216,0663,200 and the inventory depreciation reserve was RMB67,296,200. As stated in "Notes IV 10 Inventory" and "Notes VI 5 Inventory" of the financial statements, inventories are measured by cost or net realizable value, which is lower. The management determines the net realizable value of inventories with significant judgments and estimates, and therefore, we identify inventory falling price reserves as a key audit item.

2. Audit response

- (1) Understand the process of provision for inventory depreciation reserves, evaluate and test the rationality of the internal control and the effectiveness of the operation of the internal control related to preparation for inventory depreciation.
- (2) Monitor the inventory and check the inventory condition, check whether the defective and long-lived inventory have been identified.
- (3) Obtain inventory age table and carry out analytical review of long term inventory;
- (4) Check the changes in the current period of the inventory falling price reserves recorded in previous years, and assess the rationality of the change in inventory falling price reserves;
- (5) Test the calculation table for inventory depreciation preparation to assess the rationality of estimated selling price, and compare the post-sales price with the estimated selling price.

IV Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2018 Annual Report other than the financial statements and our auditor's report thereon.

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

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

otherwise appears to be materially misstated.

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

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

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

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

VI Auditor's Responsibilities for Audit of Financial Statements

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

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

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

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

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

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

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

Ruihua Certified Public Accountants LLP

Beijing · China

Chinese CPA

(Engagement Partner): Wang Chuanshun

Chinese CPA: Cui Xiaoli

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

31 December 2018

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	545,502,709.36	693,989,293.38
Derivative financial assets		
Notes and accounts receivable	549,265,034.81	473,357,266.39
Including: Notes receivable	174,657,918.26	139,276,742.34
Accounts receivable	374,607,116.55	334,080,524.05
Prepayments	149,582,616.21	146,463,066.38
Other receivables	63,012,001.10	56,772,785.11
Including: Interest receivable		590,003.07
Dividends receivable		

Financial assets purchased under resale agreements		
Inventories	2,093,366,992.30	2,100,661,221.93
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	86,366,454.56	118,588,703.34
Total current assets	3,487,095,808.34	3,589,832,336.53
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	85,112,000.00	84,533,000.00
Held-to-maturity investments		
Long-term receivables	10,693,844.75	
Long-term equity investments	96,018,463.65	97,536,732.02
Investment property	22,880,242.95	24,563,544.58
Fixed assets	5,748,562,385.35	5,421,295,850.03
Construction in progress	337,230,646.42	214,335,626.74
Productive living assets		
Oil and gas assets		
Intangible assets	478,689,064.45	498,948,301.48
R&D expense		
Goodwill	20,613,803.29	20,613,803.29
Long-term prepaid expense	119,126,407.71	107,877,194.52
Deferred income tax assets	88,636,929.06	74,697,159.71
Other non-current assets	43,100,215.87	36,390,478.85
Total non-current assets	7,050,664,003.50	6,580,791,691.22
Total assets	10,537,759,811.84	10,170,624,027.75
Current liabilities:		
Short-term borrowings	1,325,273,780.05	1,135,124,996.40
Financial liabilities at fair value through profit or loss	4,877,600.00	
Derivative financial liabilities		
Notes and accounts payable	353,688,510.95	373,566,904.50
Advances from customers	105,562,378.66	119,785,945.48
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	325,998,210.17	316,836,488.95

Taxes payable	43,556,823.75	33,055,090.58
Other payables	215,946,987.68	129,103,354.75
Including: Interest payable	3,068,841.54	1,572,231.86
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities		62,750,292.49
Other current liabilities		
Total current liabilities	2,374,904,291.26	2,170,223,073.15
Non-current liabilities:		
Long-term borrowings	170,019,083.89	
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable	96,958,178.53	93,843,473.02
Provisions		
Deferred income	140,183,446.39	126,737,092.32
Deferred income tax liabilities	28,030,096.38	2,904,899.46
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	437,030,805.19	225,325,464.80
Total liabilities	2,811,935,096.45	2,395,548,537.95
Owners' equity:		
Share capital	922,602,311.00	922,602,311.00
Capital reserves	699,493,647.48	699,493,593.82
Less: Treasury stock	486,922,944.94	
Other comprehensive income	61,157,013.37	16,810,574.22
Specific reserve		
Surplus reserves	1,022,717,451.40	962,933,579.06
General reserve		
Retained earnings	4,927,500,989.55	4,629,102,712.06
Total equity attributable to owners of the Company as the parent	7,146,548,467.86	7,230,942,770.16
Non-controlling interests	579,276,247.53	544,132,719.64
Total owners' equity	7,725,824,715.39	7,775,075,489.80
Total liabilities and owners' equity	10,537,759,811.84	10,170,624,027.75

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	31 December 2017
Current assets:		
Monetary capital	191,305,104.80	267,809,829.78
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	407,781,221.62	399,148,071.79
Including: Notes receivable	91,555,248.34	93,244,480.81
Accounts receivable	316,225,973.28	305,903,590.98
Prepayments	115,020,260.51	81,471,605.69
Other receivables	395,847,213.77	520,008,829.95
Including: Interest receivable		220,590.38
Dividends receivable		
Inventories	1,040,433,078.53	1,164,055,145.96
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	12,671,631.64	53,657,308.33
Total current assets	2,163,058,510.87	2,486,150,791.50
Non-current assets:		
Available-for-sale financial assets	73,112,000.00	72,533,000.00
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	2,165,711,579.69	1,816,493,348.06
Investment property	14,804,592.72	15,536,968.08
Fixed assets	2,731,726,695.28	2,811,046,847.91
Construction in progress	61,182,771.86	27,312,701.62
Productive living assets		
Oil and gas assets		
Intangible assets	242,204,032.54	249,994,817.83
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	52,758,961.05	51,474,007.76

Other non-current assets	6,047,443.10	27,077,391.31
Total non-current assets	5,347,548,076.24	5,071,469,082.57
Total assets	7,510,606,587.11	7,557,619,874.07
Current liabilities:		
Short-term borrowings	622,604,447.52	622,438,413.87
Financial liabilities at fair value through profit or loss	4,877,600.00	
Derivative financial liabilities		
Notes and accounts payable	120,141,727.66	154,007,599.21
Advances from customers	49,798,551.14	52,314,250.61
Payroll payable	240,090,943.88	240,391,459.47
Taxes payable	30,914,089.32	17,297,415.92
Other payables	303,672,590.72	24,347,633.13
Including: Interest payable	2,475,549.88	973,134.21
Dividends payable	441,113.64	441,113.64
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,372,099,950.24	1,110,796,772.21
Non-current liabilities:		
Long-term borrowings		
Long-term payables		
Long-term payroll payable	96,958,178.53	93,843,473.02
Provisions		
Deferred income	94,390,844.09	80,580,249.14
Deferred income tax liabilities	16,699,530.43	4,950.00
Other non-current liabilities		
Total non-current liabilities	208,048,553.05	174,428,672.16
Total liabilities	1,580,148,503.29	1,285,225,444.37
Owners' equity:		
Share capital	922,602,311.00	922,602,311.00
Capital reserves	759,836,756.57	759,836,702.91
Less: Treasury stock	486,922,944.94	
Other comprehensive income	520,200.00	28,050.00
Specific reserve		

Surplus reserves	1,019,608,711.76	959,824,839.42
Retained earnings	3,714,813,049.43	3,630,102,526.37
Total owners' equity	5,930,458,083.82	6,272,394,429.70
Total liabilities and owners' equity	7,510,606,587.11	7,557,619,874.07

3. Consolidated Income Statement

Unit: RMB

Item	2018	2017
1. Revenue	6,879,058,813.93	6,409,224,044.97
Including: Operating revenue	6,879,058,813.93	6,409,224,044.97
2. Costs and expenses	5,913,127,926.44	5,469,545,482.56
Including: Cost of sales	4,861,443,242.95	4,477,047,784.68
Taxes and surcharges	106,963,626.55	96,231,603.00
Selling expense	158,106,183.74	144,061,780.39
Administrative expense	390,911,763.27	323,126,978.65
R&D expense	289,395,092.58	328,403,990.29
Finance costs	48,779,680.31	63,342,671.31
Including: Interest expense	57,300,653.51	23,753,894.13
Interest income	17,925,826.14	7,488,918.00
Asset impairment loss	57,528,337.04	37,330,674.24
Add: Other income	60,846,383.76	58,099,783.92
Investment income ("-" for loss)	-60,273,275.04	2,331,330.34
Including: Share of profit or loss of joint ventures and associates	-1,518,268.37	-2,463,267.98
Gain on changes in fair value ("-" for loss)	-4,877,600.00	
Foreign exchange gain ("-" for loss)		
Asset disposal income ("-" for loss)	7,826,983.38	1,242,000.54
3. Operating profit ("-" for loss)	969,453,379.59	1,001,351,677.21
Add: Non-operating income	10,652,238.56	12,122,767.09
Less: Non-operating expense	10,598,854.65	9,022,725.64
4. Profit before tax ("-" for loss)	969,506,763.50	1,004,451,718.66
Less: Income tax expense	111,313,191.40	121,132,609.06
5. Net profit ("-" for net loss)	858,193,572.10	883,319,109.60
5.1 Net profit from continuing operations ("-" for net loss)	858,193,572.10	883,319,109.60
5.2 Net profit from discontinued operations ("-" for net loss)		

Net profit attributable to owners of the Company as the parent	811,526,477.83	841,150,934.75
Net profit attributable to non-controlling interests	46,667,094.27	42,168,174.85
6. Other comprehensive income, net of tax	44,346,439.15	-36,482,970.67
Attributable to owners of the Company as the parent	44,346,439.15	-36,482,970.67
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	44,346,439.15	-36,482,970.67
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	492,150.00	28,050.00
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	43,854,289.15	-36,511,020.67
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	902,540,011.25	846,836,138.93
Attributable to owners of the Company as the parent	855,872,916.98	804,667,964.08
Attributable to non-controlling interests	46,667,094.27	42,168,174.85
8. Earnings per share		
8.1 Basic earnings per share	0.90	0.91
8.2 Diluted earnings per share	0.90	0.91

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 last year being RMB0.00

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

4. Income Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Operating revenue	5,234,872,142.46	5,146,496,112.54
Less: Cost of sales	3,878,117,572.95	3,736,059,702.41

Taxes and surcharges	75,314,816.61	70,180,764.01
Selling expense	93,816,791.69	91,517,514.19
Administrative expense	240,621,922.89	211,887,601.86
R&D expense	202,174,766.82	230,897,165.13
Finance costs	22,580,855.82	21,229,673.23
Including: Interest expense	16,973,906.92	5,911,413.18
Interest income	4,042,869.20	4,147,488.37
Asset impairment loss	35,087,426.51	12,803,852.07
Add: Other income	33,789,992.88	41,705,496.22
Investment income (“-” for loss)	-25,036,851.77	20,371,762.61
Including: Share of profit or loss of joint ventures and associates	-1,518,268.37	-2,463,267.98
Gain on changes in fair value (“-” for loss)	-4,877,600.00	
Asset disposal income (“-” for loss)	-8,418,900.16	-14,364,342.23
2. Operating profit (“-” for loss)	682,614,630.12	819,632,756.24
Add: Non-operating income	7,127,379.86	5,449,927.03
Less: Non-operating expense	6,778,974.37	4,693,009.37
3. Profit before tax (“-” for loss)	682,963,035.61	820,389,673.90
Less: Income tax expense	85,124,312.21	109,759,110.09
4. Net profit (“-” for net loss)	597,838,723.40	710,630,563.81
4.1 Net profit from continuing operations (“-” for net loss)	597,838,723.40	710,630,563.81
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	492,150.00	28,050.00
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	492,150.00	28,050.00
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	492,150.00	28,050.00
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign		

currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	598,330,873.40	710,658,613.81
7. Earnings per share		
7.1 Basic earnings per share	0.66	0.77
7.2 Diluted earnings per share	0.66	0.77

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	6,589,170,715.37	6,219,235,885.20
Tax rebates	200,637,812.52	219,602,657.95
Cash generated from other operating activities	110,420,123.41	137,131,952.43
Subtotal of cash generated from operating activities	6,900,228,651.30	6,575,970,495.58
Payments for commodities and services	3,361,829,445.15	3,405,465,059.44
Cash paid to and for employees	1,606,604,705.02	1,537,319,127.10
Taxes paid	248,475,301.28	305,512,465.13
Cash used in other operating activities	252,977,536.69	257,163,190.48
Subtotal of cash used in operating activities	5,469,886,988.14	5,505,459,842.15
Net cash generated from/used in operating activities	1,430,341,663.16	1,070,510,653.43
2. Cash flows from investing activities:		
Proceeds from disinvestment	50,000,000.00	
Investment income	6,069,367.03	
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	32,483,391.91	8,757,416.99
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	27,272,692.86	75,806,318.05
Subtotal of cash generated from investing activities	115,825,451.80	84,563,735.04
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	928,794,291.04	617,226,044.44
Payments for investments		210,000,000.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	73,597,959.70	1,263,998.65
Subtotal of cash used in investing activities	1,002,392,250.74	828,490,043.09

Net cash generated from/used in investing activities	-886,566,798.94	-743,926,308.05
3. Cash flows from financing activities:		
Capital contributions received	500,000.00	500,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	500,000.00	500,000.00
Increase in borrowings obtained	3,187,659,288.75	2,156,301,279.43
Net proceeds from issuance of bonds		
Cash generated from other financing activities	94,300,000.00	199,980,000.00
Subtotal of cash generated from financing activities	3,282,459,288.75	2,356,781,279.43
Repayment of borrowings	2,925,408,591.68	1,924,349,996.85
Payments for interest and dividends	518,987,542.25	524,005,417.80
Including: Dividends paid by subsidiaries to non-controlling interests	12,023,566.38	12,023,566.38
Cash used in other financing activities	524,987,535.17	178,430,428.00
Subtotal of cash used in financing activities	3,969,383,669.10	2,626,785,842.65
Net cash generated from/used in financing activities	-686,924,380.35	-270,004,563.22
4. Effect of foreign exchange rate changes on cash and cash equivalents	1,645,076.17	-39,056,706.97
5. Net increase in cash and cash equivalents	-141,504,439.96	17,523,075.19
Add: Cash and cash equivalents, beginning of the period	676,639,212.86	659,116,137.67
6. Cash and cash equivalents, end of the period	535,134,772.90	676,639,212.86

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2018	2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	5,055,067,711.94	5,031,327,920.20
Tax rebates	134,608,110.60	147,979,834.16
Cash generated from other operating activities	54,426,092.92	66,325,383.38
Subtotal of cash generated from operating activities	5,244,101,915.46	5,245,633,137.74
Payments for commodities and services	2,867,484,652.12	2,835,545,725.67
Cash paid to and for employees	1,115,678,459.19	1,101,800,926.25
Taxes paid	133,530,662.18	203,201,646.35
Cash used in other operating activities	156,477,992.20	149,048,367.90
Subtotal of cash used in operating activities	4,273,171,765.69	4,289,596,666.17
Net cash generated from/used in operating activities	970,930,149.77	956,036,471.57
2. Cash flows from investing activities:		

Proceeds from disinvestment	50,000,000.00	
Investment income	24,045,800.65	17,976,433.62
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	84,896,956.61	3,857,174.49
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	621,071,940.73	369,607,376.66
Subtotal of cash generated from investing activities	780,014,697.99	391,440,984.77
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	215,016,290.76	158,989,610.94
Payments for investments	350,736,500.00	217,934,750.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	537,403,361.43	547,733,600.00
Subtotal of cash used in investing activities	1,103,156,152.19	924,657,960.94
Net cash generated from/used in investing activities	-323,141,454.20	-533,216,976.17
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	1,867,420,105.89	1,549,844,124.40
Net proceeds from issuance of bonds		
Cash generated from other financing activities	276,073,100.00	69,000,000.00
Subtotal of cash generated from financing activities	2,143,493,205.89	1,618,844,124.40
Repayment of borrowings	1,895,523,735.81	1,387,780,386.17
Payments for interest and dividends	479,201,499.77	473,154,729.91
Cash used in other financing activities	498,538,235.01	69,000,000.00
Sub-total of cash used in financing activities	2,873,263,470.59	1,929,935,116.08
Net cash generated from/used in financing activities	-729,770,264.70	-311,090,991.68
4. Effect of foreign exchange rate changes on cash and cash equivalents	5,476,844.15	-20,935,533.57
5. Net increase in cash and cash equivalents	-76,504,724.98	90,792,970.15
Add: Cash and cash equivalents, beginning of the period	267,809,829.78	177,016,859.63
6. Cash and cash equivalents, end of the period	191,305,104.80	267,809,829.78

7. Consolidated Statements of Changes in Owners' Equity

2018

Unit: RMB

Item	2018												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
		Preferred shares	Perpetual bonds	Other									
1. Balances as at the end of the prior year	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06	544,132,719.64	7,775,075,489.80
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations under common control													
Other adjustments													
2. Balances as at the beginning of the year	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06	544,132,719.64	7,775,075,489.80
3. Increase/ decrease in the period (“-” for decrease)					53.66	486,922,944.94	44,346,439.15		59,783,872.34		298,398,277.49	35,143,527.89	-49,250,774.41
3.1 Total comprehensive							44,346,439.15				811,526,477.83	46,667,094.27	902,540,011.25

income													
3.2 Capital increased and reduced by owners					53.66	486,922,944.94						500,000.00	-486,422,891.28
3.2.1 Ordinary shares increased by shareholders						486,922,944.94						500,000.00	-486,422,944.94
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other					53.66								53.66
3.3 Profit distribution									59,783,872.34		-513,128,200.34	-12,023,566.38	-465,367,894.38
3.3.1 Appropriation to surplus reserves									59,783,872.34		-59,783,872.34		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-453,344,328.00	-12,023,566.38	-465,367,894.38
3.3.4 Other													

3.4 Transfers within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	922,602,311.00				699,493,647.48	486,922,944.94	61,157,013.37		1,022,717,451.40		4,927,500,989.55	579,276,247.53	7,725,824,715.39

2017

Unit: RMB

Item	2017												
	Equity attributable to owners of the Company as the parent											Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		
		Preferred shares	Perpetual bonds	Other									
1. Balances as at the end of the prior year	922,602,311.00				761,280,557.83		53,293,544.89		891,870,522.68		4,341,866,189.19	475,088,111.17	7,446,001,236.76
Add: Adjustments for changed accounting policies													
Adjustments for corrections of previous errors													
Adjustments for business combinations under common control													
Other adjustments													
2. Balances as at the beginning of the year	922,602,311.00				761,280,557.83		53,293,544.89		891,870,522.68		4,341,866,189.19	475,088,111.17	7,446,001,236.76
3. Increase/ decrease in the period (“-” for decrease)					-61,786,964.01		-36,482,970.67		71,063,056.38		287,236,522.87	69,044,608.47	329,074,253.04
3.1 Total comprehensive							-36,482,970.67				841,150,934.75	42,168,174.85	846,836,138.93

income													
3.2 Capital increased and reduced by owners					-61,786,964.01							38,900,000.00	-22,886,964.01
3.2.1 Ordinary shares increased by shareholders												500,000.00	500,000.00
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Share-based payments included in owners' equity													
3.2.4 Other					-61,786,964.01							38,400,000.00	-23,386,964.01
3.3 Profit distribution									71,063,056.38		-553,914,411.88	-12,023,566.38	-494,874,921.88
3.3.1 Appropriation to surplus reserves									71,063,056.38		-71,063,056.38		
3.3.2 Appropriation to general reserve													
3.3.3 Appropriation to owners (or shareholders)											-482,851,355.50	-12,023,566.38	-494,874,921.88
3.3.4 Other													

3.4 Transfers within owners' equity													
3.4.1 Increase in capital (or share capital) from capital reserves													
3.4.2 Increase in capital (or share capital) from surplus reserves													
3.4.3 Loss offset by surplus reserves													
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings													
3.4.5 Other													
3.5 Specific reserve													
3.5.1 Increase in the period													
3.5.2 Used in the period													
3.6 Other													
4. Balances as at the end of the period	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06	544,132,719.64	7,775,075,489.80

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

2018

Unit: RMB

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end of the prior year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37	6,272,394,429.70
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37	6,272,394,429.70
3. Increase/ decrease in the period ("-" for decrease)					53.66	486,922,944.94	492,150.00		59,783,872.34	84,710,523.06	-341,936,345.88
3.1 Total comprehensive income							492,150.00			597,838,723.40	598,330,873.40
3.2 Capital increased and reduced by owners					53.66	486,922,944.94					-486,922,891.28
3.2.1 Ordinary shares increased by shareholders						486,922,944.94					-486,922,944.94
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments											

included in owners' equity											
3.2.4 Other					53.66						53.66
3.3 Profit distribution									59,783,872.34	-513,128,200.34	-453,344,328.00
3.3.1 Appropriation to surplus reserves									59,783,872.34	-59,783,872.34	
3.3.2 Appropriation to owners (or shareholders)										-453,344,328.00	-453,344,328.00
3.3.3 Other											
3.4 Transfers within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Loss offset by surplus reserves											
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings											
3.4.5 Other											
3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other											
4. Balances as at the end of the period	922,602,311.00				759,836,756.57	486,922,944.94	520,200.00		1,019,608,711.76	3,714,813,049.43	5,930,458,083.82

2017

Unit: RMB

Item	2017										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
1. Balances as at the end of the prior year	922,602,311.00				759,793,238.92				888,761,783.04	3,451,836,174.44	6,022,993,507.40
Add: Adjustments for changed accounting policies											
Adjustments for corrections of previous errors											
Other adjustments											
2. Balances as at the beginning of the year	922,602,311.00				759,793,238.92				888,761,783.04	3,451,836,174.44	6,022,993,507.40
3. Increase/ decrease in the period ("-" for decrease)					43,463.99		28,050.00		71,063,056.38	178,266,351.93	249,400,922.30
3.1 Total comprehensive income							28,050.00			710,630,563.81	710,658,613.81
3.2 Capital increased and reduced by owners					43,463.99						43,463.99
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Share-based payments included in owners' equity											

3.2.4 Other					43,463.99						43,463.99
3.3 Profit distribution									71,063,056.38	-532,364,211.88	-461,301,155.50
3.3.1 Appropriation to surplus reserves									71,063,056.38	-71,063,056.38	
3.3.2 Appropriation to owners (or shareholders)										-461,301,155.50	-461,301,155.50
3.3.3 Other											
3.4 Transfers within owners' equity											
3.4.1 Increase in capital (or share capital) from capital reserves											
3.4.2 Increase in capital (or share capital) from surplus reserves											
3.4.3 Loss offset by surplus reserves											
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings											
3.4.5 Other											
3.5 Specific reserve											
3.5.1 Increase in the period											
3.5.2 Used in the period											
3.6 Other											
4. Balances as at the end of the period	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37	6,272,394,429.70

III. Company Profile

Lu Thai Textile Co., Ltd. (hereinafter referred to as the “Company”) is a joint venture invested by Zibo Lucheng Textile Investment Co., Ltd (originally named Zibo Lucheng Textile Co., Ltd, hereinafter referred to as Lucheng Textile) and Thailand Tailun Textile Co., Ltd. On 3 February 1993, the Company is approved by the former Ministry of Foreign Trade and Economy of the State (1993) in WJMZEHZ No. 59 to convert into a joint-stock enterprise. Zibo Administration for Industry and Commerce issued the Company corporate business license with the registration No. of QGLZZZ No. 000066. In July 1997, the Company is approved by the Securities Committee of the Department of the State in the ZWF (1997) No. 47 to issue 80 million shares of domestically listed foreign share(B-shares) at the price of RMB 1.00 per share. Upon approved by Shenzhen Stock Exchange with No. (1997) 296 Listing Notice, the Company is listed on the Shenzhen Stock Exchange on 19 August 1997 with B-shares stock code of 200726. On 24 November 2000, approved by ZJGSZ [2000] No.199 by CSRC, the Company increased publication of 50 million shares of general share (A-shares) at the book value of RMB 1.00, which are listed on the Shenzhen Stock Exchange on 25 December 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice. As approved by 2000 Annual General Meeting in May 2001, the Company carried out the distribution plan that 10 shares of capital public reserve are converted to 3 more shares for each 10 shares. As approved by Resolutions of 2001 Annual General Meeting in June 2002, the Company implemented the distribution plan that 10 shares of capital public reserve are converted 3 more shares for each 10 shares again. As approved by 2002 Annual General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees’ shared increased to 40.56 million shares. As examined and approved by ZJGSZ No. [2000] 199 of CSRC, the inner employees’ shares will start circulation 3 years later since listing on the A-share market. On 25 December 2003, the inner employees’ shares reach 3 years since listing on the A-share stock market, and they set out circulation on 26 December 2003. As approved by the Annual General Meeting 2006 held in June 2007, the Company implemented the plan on converting 10 shares to all its shareholders with capital reserves for every 10 shares. After capitalization, the registered capital of the Company was RMB 844.8648 million. The Company, in accordance with the official reply on approving Lu Thai Textile Co., Ltd. to issue additional shares (ZJXX [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 December 2008. According to the relevant resolution of the 2nd Special Extraordinary General Meeting of 2011, the relevant resolution of the 15th Meeting of the 6th Board of Directors, the Opinion of China Securities Regulatory Commission on the Restricted Share Incentive Plan of Lu Thai Textile Co., Ltd. (Shang-Shi-Bu-Han [2011] No. 206), the Company applied for a registered capital increment of RMB 14.09 million, which was contributed by restricted share incentive receivers with monetary funds. In accordance with the resolution of Proposal on Repurchasing and Canceling Partial Restricted Shares already Granted for the Original Incentive Targets not Reaching the Incentive Conditions made at the 23rd Session of the 6th Board of Directors on 13 August 2012, the Company canceling a total of 60,000.00 shares already granted for the original incentive targets not reaching the incentive conditions. According to the second temporary resolution of Proposal on counter purchase of part of the domestic listed foreign share (B share) on 25 June 2012, the Company counter purchase domestic listed foreign share (B share) 48,837,300 shares. According to the Proposal on Repurchase and Cancel Part of Unlocked Restricted Share of the Original Incentive Personnel not Conforming to the Incentive Condition, Proposal on Repurchase and Cancel unlocked Restricted Share in Second Unlocked Period of all the Incentive Personnel reviewed and approved by the 26th Meeting of the 6th Board of Directors on 27 March 2013, the Company repurchase and cancel 4,257,000 shares owned by original people whom to motivate. According to the Proposal on Repurchase and Write-off of Partly of the Original Incentive Targets Not Met with the Incentive Conditions but Granted Restricted Shares approved on the 11th Meeting of the 7th Board of Directors on 11 June 2014, to execute repurchase and write-off of the whole granted shares of 42,000 shares of the original incentive targets not met with the incentive targets of the Company. As per the Proposal on Buy-back of Some A- and B-shares considered and approved as a resolution at the 1st special meeting of shareholders on 5 August 2015, the Company repurchased 33,156,200 domestically listed foreign shares (B-shares). As of 31 December 2018, the registered capital of the Company was RMB922.6023 million.

The Company’s registered address: No. 11, Mingbo Road, Hi-tech Development Zone, Zibo, Shandong

The Company's legal representative: Liu Zibin

The Company's business scope includes the production, processing and sales business of cotton yarn, yarn dyed fabrics, shirts, fashion accessories, health underwear and other textile products and their mating products; design, R&D and technology services of the textile and garment products; acquisition and export of products not under exclusive rights or quota licenses; and hotel, guesthouses, catering, conferences, and training services; rental business of the self-owned houses and land; the production and sales of the purified water projects.

The Company's financial statements have been approved for issue by the Board of Directors of the Company on 27 March 2019.

There were 16 subsidiaries included into the consolidation scope of the Company in 2018, and for the details, please refer to Notes IX. "Equities among Other Entities". There was 1 increased subsidiary in the consolidation scope as compared with last year, and please refer to Notes VIII. "Changes in Consolidation Scope" for details.

IV Basis for Preparation of Financial Statements

1. Preparation Basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with The Accounting Standards for Business Enterprises—Basic Standard issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 42 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 February 2006 onwards (hereinafter jointly referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Group adopted the accrual basis in accounting. Except for some financial instruments, the financial statements were based on historical costs for measurement. Non-current asset held for sale was priced according to the lower one between the amount of fair value minus estimated costs and the original book value which complies with the conditions of holding for sale. If impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

V. Significant Accounting Policies and Estimates

Is the Company subject to any disclosure requirements for special industries?

No.

Indication of specific accounting policies and estimations:

The Company and each subsidiary mainly engage in the production and operation of textile products. The Company and each subsidiary according to the actual production and operation characteristics and the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimates of the transactions and events such as recognizing the revenues, and please refer to the Note V. 23 "Revenue" for details. As for the notes to the important accounting judgment and estimations made by the management level, please refer to the Note V. 29. "Other important accounting policies and estimations" of the section.

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

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's, and the Company's financial positions as at 31 December 2018,

business results and cash flows for the year of 2018 and other relevant information. In addition, the Company's and the Company's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

2. Fiscal Year

The Company's fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year. The Company's fiscal year starts on 1 Jan. and ends on 31 Dec. of every year according to the Gregorian calendar.

3. Operating Cycle

Normal operating cycle refers to the period from the Group purchases the assets for processing to realize the cash or cash equivalents. The Group regards 12 months as an operating cycle and regards which as the partition criterion of the mobility of the assets and liabilities.

4. Recording Currency

Renminbi (RMB) is regarded as the prevailing currency used in the main economic circumstances of the Company and its domestic subsidiaries. The Company and its domestic subsidiaries adopt RMB as the recording currency. The Company and its overseas subsidiaries confirm to adopt HK Dollar, US Dollar and Vietnamese Dong as the recording currency according their major economic environment of the operating. When preparing the financial statements for the Reporting Period, the Company adopted RMB as the recording currency.

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

Business combinations, it is refer to two or more separate enterprises merge to form a reporting entity transactions or events. Business combination is divided into under the same control and those non under the same control.

(1) Business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital (share premium) shall be adjusted. If the additional paid-in capital (share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under

the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree.

For a business combination not under the same control, the combination costs shall include the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The involved contingent consideration shall be recorded into the combination costs at its fair value on the acquiring date. Where new or further evidences emerge, within 12 months since the acquiring date, against the existing circumstances on the acquiring date and the contingent consideration thus needs to be adjusted, the combined goodwill shall be adjusted accordingly. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Where the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

As for the deductible temporary differences the acquirer obtains from the acquiree which are not recognized into deferred income tax liabilities due to their not meeting the recognition standards, if new or further information shows that the relevant situation has existed on the acquiring date and the economic benefits brought by the deductible temporary differences the acquirer obtains from the acquiree on the acquiring date can be realized, they shall be recognized into deferred income tax assets and the relevant goodwill shall be reduced. Where the goodwill is not sufficient to be offset, the difference shall be recognized into the profits and losses in the current period. In other circumstances than the above, where the deductible temporary differences are recognized into deferred income tax assets on the acquiring date, they shall be recorded into the profits and losses in the current period.

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see Notes V. 6 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and Notes V. 13 “Long term equity investment transaction” and conduct accounting treatment, those not belong to the “package deal” distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

In the individual financial statements, the sum of the book value and new investment cost of the Company holds in the acquiree before the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree’s re-measurement, the others shall be transferred into current investment gains).

In the Company’s consolidated financial statements, as for the equity interests that the Company holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Company holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree’s re-measurement, the others shall be transferred into current investment gains on the acquiring date).

6. Preparation of the Consolidated Financial Statements

(1) Principle for determining the consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The term “control” is the power of the Company upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Company.

If any changes in the relevant facts or situations result in any changes in the elements involved in the aforesaid definition of “control”, the Company shall carry out a reassessment.

(2) Methods for preparing the consolidated financial statements

Subsidiaries are fully consolidated from the date on which the Company obtains control on their net assets and operation decision-making and are de-consolidated from the date when such control ceases. As for a disposed subsidiary, its operating results and cash flows before the disposal date has been appropriately included in the consolidated income statement and cash flow statement; and as for subsidiaries disposed in the current period, the opening items in the consolidated balance sheet are not adjusted. For a subsidiary acquired in a business combination not under the same control, its operating results and cash flows after the acquiring date have been appropriately included in the consolidated income statement and cash flow statement, and the opening items and comparative items in the consolidated financial statements are not adjusted. For a subsidiary acquired in a business combination under the same control or a combined party obtained in a takeover, its operating results and cash flows from the beginning of the Reporting Period of the combination to the combination date have been appropriately included in the consolidated income statement and cash flow statement, and the comparative items in the consolidated financial statements are adjusted at the same time.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries. For a subsidiary acquired from a business combination not under the same control, the individual financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are offset in the consolidated financial statements.

The portion of a subsidiary’s shareholders’ equity and the portion of a subsidiary’s net profits and losses for the period not held by the Company are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders’ equity and net profits in the consolidation financial statements. The portion of a subsidiary’s net profits and losses for the period that belong to minority interests is presented as the item of “minority shareholder profits and losses” under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary’s opening owners’ equity, minority interests are offset.

Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary’s net assets measured on a continuous basis from the acquisition date that is enjoyable by the Company according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Company’s control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see Notes V. 13 “Long Term

Equity Investment” or Notes V. 9 “Financial Instruments”.

Where the Company loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it needs to distinguish the Group losses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment.

each other to concluded;

deal depends on at least one other transactions; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see Notes V. 13. (2))

subsidiaries due to disposal of some equity investments or other reasons” (see the front paragraph) relevant transactions of the Company loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company losing control on its subsidiary.

7. 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. The term “cash equivalents” refers to short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Accounting treatments for translation of foreign currency transactions

As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base at the spot exchange rate (usually referring to the central parity rate announced by the People's Bank of China, the same below) of the transaction date, while as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the bookkeeping base currency at actual exchange rate the transaction is occurred.

(2) Accounting treatments for translation of foreign currency monetary items and non-monetary items

On the balance sheet date, the foreign currency monetary items shall be 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 prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations:

① the foreign exchange differences arising to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs;

② the exchange difference of financial instruments used for effective hedging of net overseas operation investments shall be recorded into other comprehensive incomes, and shall be recognized into current gains and losses when the net investments are disposed; and

③ the exchange difference from change in the book balance of foreign currency monetary items available for sale except the amortized costs shall be recorded into other comprehensive gains and losses.

For the preparation for consolidated financial statement involved in foreign operations, if there are items of foreign currency monetary of net investment in foreign operations in essence, then the balance of exchange generated by changes in exchange rate shall included into other comprehensive income; when disposing foreign operations, it shall be converted into the disposal of the

current profits and losses.

A foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the transaction date. Where the foreign non-monetary items measured at the fair value shall be converted into amount in its bookkeeping base currency at spot exchange rate, the exchange gains and losses arising thereof shall be treated as change in fair value, and recorded into the current period gains and losses or as other comprehensive incomes.

(3) Translation of foreign currency financial statements

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the item of “difference of foreign currency financial statement translation” under the owners’ equity; and be recorded into disposal gains and losses at current period when disposing overseas business.

The foreign currency financial statement of overseas business should be translated in to RMB financial statement by the following methods: The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner’s equity items, except for the items as “undistributed profits”, other items shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The undistributed profits at year-begin is the undistributed profits at the end of last year after the translation; undistributed profits at year-end shall be listed as various distribution items after the translation; after the translation, the balance between assets and the sum of liabilities and owners’ equities shall be recorded into other comprehensive gains and losses as difference of foreign currency translation. Where an enterprise disposes of an overseas business without the control right, it shall shift the differences, which is presented under the items of the owner’s equities in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the disposal profits and losses of the current period by all or proportion of the disposed overseas business.

Foreign cash flow shall be translated at the spot exchange rate of the date of cash flow incurred. The influence of exchange rate on the cash flow shall be adjustment item and individually listed in the cash flow statement.

And the opening balance and the actual balance of last year shall be listed at the amounts after translation of foreign currency financial statement in last year.

Where the control of the Company over an overseas operation ceases due to disposal of all or some of the Company’s owner’s equity in the overseas operation or other reasons, the foreign-currency statement translation difference belonging to the parent company’s owner’s equity in relation to the overseas operation which is stated under the shareholders’ equity in the balance sheet shall be all restated as gains and losses of the disposal period.

Where the Company’s equity in an overseas operation decreases due to disposal of some equity investment or other reasons but the Company still has control over the overseas operation, the foreign-currency statement translation difference in relation to the disposed part of the overseas operation shall be recorded into minority interests instead of current gains and losses. If what’s disposed is some equity in an overseas associated enterprise or joint venture, the foreign-currency statement translation difference related to the overseas operation shall be recorded into the gains and losses of the current period of the disposal according to the disposal ratio.

9. Financial Instruments

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract. Financial assets and liabilities are measured at fair value in initial recognition. As for the financial assets and liabilities measured at fair value of which changes are recorded into current gains and losses, the relevant dealing expenses are directly recorded into gains and losses; and the dealing expenses on other kinds of financial assets and liabilities are included in the amounts initially recognized.

(1) Determination of the fair value of main financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an

orderly transaction on the measurement date. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

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. Financial assets shall be classified into the following four categories when they are initially recognized: (a) the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

Including transactional financial assets and the financial assets which are designated to be measured at their fair value when they are initially recognized and of which the variation is recorded into the profits and losses of the current period;

The financial assets meeting any of the following requirements shall be classified as transactional financial assets: A. The purpose to acquire the said financial assets is mainly for selling them in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

A transactional financial asset is subsequently measured at the fair value. The gains and losses arising from the fair value changes, as well as the dividend and interest incomes from the financial asset, are recorded in the gains and losses for the current period.

② Held-to-maturity investment

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable. Financial assets that are defined as loans and the accounts receivables by the Company including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Company carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the

“non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

(4) Recognition and measurement of financial asset transfers

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

collecting the cash flow of the said financial asset are terminated;

risks and rewards related to the ownership of the financial asset to the transferee; or

And the Company has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Company needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are

① The contract
② The said financial asset
③ The said financial asset

recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

(6) De-recognition of financial liabilities

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.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) Offsetting financial assets and financial liabilities

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

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

10. Notes and Accounts Receivable

(1) Accounts Receivable with Significant Single Amount for Which the Bad Debt Provision is Made Individually

Judgement basis or monetary standards of provision for bad debts of the individually significant accounts receivable	Receivables with the amount of RMB5 million or more than RMB5 million should recognize as the receivables with significant single amount.
Method of individual provision for bad debts of the individually significant accounts receivable	The Company made an independent impairment test on receivables with significant single amounts; the financial assets without impairment by independent impairment test should be included in financial assets portfolio with similar credit risk to take the impairment test. Receivables was recognized with impairment should no longer be included in receivables portfolio with similar credit risk to take the impairment test.

(2) Accounts Receivable Which the Bad Debt Provision is Withdrawn by Credit Risk Characteristics

Name of portfolios	Bad debt provision method
Aging group	Aging analysis method

In the groups, adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	30.00%	30.00%

In the groups, adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(3) Accounts Receivable with an Insignificant Single Amount but for Which the Bad Debt Provision is Made Individually

Reason of individually withdrawing bad debt provision	Receivables have dispute with the other parties or involving lawsuit and arbitration; receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.
Withdrawal method for bad debt provision	The Company made independent impairment test on receivables with insignificant amount but with the following characteristics, if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts: receivables involved in disputes, lawsuits or arbitrations; receivables with clear signs that the debtor is not likely to repay; and the like.

(4) Reversal of Bad Debt Provision

If there is objective evidence proving that the value of such receivables has been restored and it is objectively related to the event occurring after recognizing such loss, the impairment loss recognized originally will be recovered and included into the current profits and losses. However, the book value after recovery shall not exceed the amortized cost of such receivables on the recovery date in the case of not calculating and withdrawing the impairment reserves.

11. Inventory

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Classification

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

(2) Valuation method of inventories acquiring and issuing

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

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

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

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

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

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

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

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

12. Assets Held for Sale

The Company classifies an asset into held-for-sale when its book value is mainly recovered by selling (including the exchanges of non-monetary assets with commercial substance) instead of a non-current asset or disposal group. Specific standards are simultaneously satisfying the following conditions: A asset or disposal group can be sold immediately under current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has already made a resolution on sale plan and obtained a confirmed purchase commitment; and the sale is expected to will be completed within one year. A disposal group refers to a group of assets that are disposed of together as a whole by sale or other means in a transaction and the liabilities directly related to these assets transferred in the transaction. Where the asset group or combination of asset groups to which a disposal group belongs apportions the goodwill acquired in the business combination in accordance with the "Accounting Standards for Enterprises No. 8 - Asset Impairment", the disposal group shall include the goodwill allocated to it.

When the Company initially measures or re-measures on the balance sheet date the non-current assets and disposal groups classified as held-for-sale, If the book value is higher than the fair value minus the net amount of the sale costs, the book value will be written down to the net amount of fair value minus the sale costs, and the amount written down will be recognized as impairment loss of assets and included in the current profit and loss, and provision for impairment of held-for-sale assets will be made at the same time. For the confirmed amount of impairment loss of assets of the disposal groups held for sale, the book value of goodwill of the disposal groups will be offset first, and then the book value of various non-current assets applicable to the measurement of Accounting Standards for Business Enterprises No. 42 - Non-current Assets and Disposal Groups Held for Sale and Termination of Operations (hereinafter referred to as "Held for sale standards") in the disposal groups will be offset according to the proportions. If the net amount that the fair value of the disposal groups held for sale on the follow-up balance sheet date minus the sale costs increases, the previous written-down amount will be restored, and reversed to the asset impairment loss confirmed after the assets being classified as held-for-sale. The reversed amount will be included in the current profit or loss. And its book value shall be increased proportionately to the proportion of the book value of various non-current assets measured by the disposal group in addition to goodwill applicable to the measurement of held-for-sale norms; The book value of deducted goodwill and the non-current assets applicable to the measurement of held-for-sale norms will not be reversed if the asset impairment loss is recognized before it is classified as held for sale.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. Interest and other expenses of liabilities in the disposal group held for sale will be confirmed as before.

When a non-current asset or disposal group ceases be classified as held-for-sale or a non-current asset is removed out from the held-for-sale disposal group due to failure in meeting the classification conditions for the category of held-for-sale, it will be measured by one of the followings whichever is lower: (1) The book value before being classified as held for sale will be adjusted according to the depreciation, amortization or impairment that would have been recognized under the assumption that it was not classified as held for sale; (2) The recoverable amount.

13. Long-term Equity Investments

The long-term equity investments of this part refer to the long-term equity investments that the Company has control, joint control or significant influence over the investees. The long-term equity investment that the Company does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the

accounting policies to Notes V.9 “Financial instrument”

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation policies of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner's equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence.

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Company, the fair value of equity securities issued by the Company, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost.

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policy adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized.

The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Company has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Company before the first execution of the new accounting criterion on 1 January 2007 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company losses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall treated in accordance with the relevant accounting policies in Notes V. 6. (2) "Method on preparation of combined financial statements".

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owing to the changes of the other owners' equity except for the net gains and losses, other

comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

14. Investment Real Estate

Measurement model of investment real estate

Costing method measurement

Depreciation or amortization method

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

The investment real estate is measured initially according to the cost. The subsequent expenses related with the investment real estate shall be calculated into the cost of investment real estate if the economic benefit related with the asset may flow in and the cost may be measured reliably. Other subsequent expenses shall be calculated in the current profits and losses at the occurrence.

The Company adopts the cost mode to conduct the subsequent measurement on the investment real estate, depreciates or amortizes according to the policy consistent with the house building or land use right.

The devaluation test method and devaluation provision method for the investment real estate can be seen in Notes V. 20 "Long-term Asset Devaluation".

When the self-use real estate or stock is converted to the investment real estate or the investment real estate is converted to the self-use real estate, the book value before the conversion shall be the entry value after the conversion.

When the investment real estate is disposed, or out of usage permanently, and it is expected not to get the economic benefit from the disposal, the confirmation on the investment real estate shall be terminated. The disposal income for the sales, transferring, scrap or damage of the investment real estate deducing the book value and related tax shall be calculated in the current profits and losses.

15. Fixed Assets

(1) Conditions for Recognition

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year. The fixed assets are only recognized when the relevant economic benefits probably flow in the Company and its cost could be reliable measured. The fixed assets should take the initial measurement according to the cost and at the same time consider the influences of the factors of the estimated discard expenses.

(2) Depreciation Methods

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

(3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

The “finance lease” shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Its ownership may or may not eventually be transferred. The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(4) Other Notes

The subsequent expenditures related to fixed asset shall be included into fixed asset cost and stop the confirmation of the book value of the substitution part if economic benefits related to such fixed asset may flow in and its cost can be reliably measured. Other subsequent expenditures except for the above said subsequent expenditure shall be included into the current profits and losses once occurred.

When the fixed asset is disposed or cannot be expected to produce economic interests through use or disposal, the confirmation of that asset should be ceased. The balance of the amount left after deducting book value and relevant taxes from the disposal income obtained from the sale, transfer, abandonment or damage of the fixed assets shall be included in current profits and losses.

The Company shall review the service life, expected net residuals and depreciation method of the fixed assets at least by the end of the year. In case of any change, it shall be deemed as accounting estimate change.

16. Construction in Progress

Is the Company subject to any disclosure requirements for special industries?

No.

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

See the details of the impairment test method of the impairment provision withdrawal method of the construction in progress to Notes V. 20 “Long-term assets impairment”.

17. Borrowing Costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings. The capitalization of borrowing costs, which can be directly attributable to asset acquisition or construction, starts when asset expenditure or borrowing cost are generated, or the asset acquisition or construction is launched to enable the asset to meet the predefined conditions for use or sale, and ends when the acquired or constructed asset

conforming to capitalization conditions meet the predefined conditions for use or sale. The other borrowing costs are recognized as expenses in the current period.

The actual interest expenses incurred in the current period of specific borrowings shall be capitalized by subtracting the interest income earned by the bank from unused borrowing funds or investment income gained from temporary investment. For general borrowings, the amount to be capitalized shall be determined based on the weighted average of total asset expenditure exceeding the specific borrowing multiplied by the capitalization rate of general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

During the capitalization period, the foreign exchange differences on foreign currency specific borrowings shall be capitalized. The exchange differences on foreign currency general borrowings shall be included in the current profits and losses.

Assets eligible for capitalization refer to assets such as fixed assets, investment real estate and inventory that require a considerable amount of time for acquisition or construction to be ready for use or sale.

If the acquisition or construction process of the assets eligible for capitalization is stopped unexpectedly for more than 3 months, the capitalization of borrowing costs shall be suspended until the asset acquisition or construction resumes.

18. Biological Assets

(1) Consumptive biological assets

Consumptive biological assets refer to the biological assets held for sale or to be harvested as agricultural products in future, including crops, vegetables under growing, timber production forest and domestic animals for sale. The consumptive biological assets shall be measured based on cost. All costs for planting, creating, cultivating or raising of consumptive biological assets shall be the necessary expenses directly added to such assets that accrued before harvest, including any loan that satisfies capitalization conditions. Subsequent expenses for keeping and feeding the consumptive biological assets after the harvest should be recognized as the losses and gains of the current period.

Upon harvest or sale, the cost of consumptive biological assets shall be based on its book value through weighted average.

On the date of Balance Sheet, the consumptive biological assets shall be measured with lower of cost and net realizable value, and the method for confirming the reserve for inventory price drop shall be adopted to confirm the reserve for price drop of consumptive biological assets. If the impacts of depreciation disappear, the depreciation amount shall be recovered, and the reserve for price drop originally accrued shall be reversed. Such amount reversed shall be recognized as loss and gain for the current period.

If consumptive biological assets change its usage to be as productive biological assets, the cost after such change shall be confirmed based on the book value when the usage is changed. If consumptive biological assets are changed as public biological assets, depreciation shall be taken into consideration pursuant to Corporate Accounting Rules No.8 – Assets Depreciation. When depreciation occur, accrued the depreciation reserve first and then confirm based on the book value after such accrual.

(2) Productive biological assets

Productive biological assets refer to agricultural products produced, and biological assets held for labor provision or lease, including economic forest, firewood forest, productive animals and labor animals. The productive biological assets shall be measured based on cost. All costs for creating or fostering productive biological assets shall be the necessary expenses directly added to such assets that accrued before it reaches expected production purpose, including any loan that satisfies capitalization conditions.

The Company shall withdraw the depreciation of the productive biological assets by adopting the straight-line method since the second month of its useful life. Useful life, expected net salvage value and annual depreciation rate of each productive biological assets are as below:

Category	Useful life	Expected net salvage value (%)	Annual deprecation (%)
Livestock	5	5%	19

The Company shall review the service life, expected net residuals and depreciation method of the productive biological assets at least by the end of the year. In case of any change, it shall be deemed as accounting estimate change.

The difference between proceedings from disposal (sale, loss, death or damage) of the productive biological assets deducted by book value and related tax shall be recognized as loss and gain for the current period.

The Company shall check on the date of Balance Sheet whether there is a depreciation sign for the productive biological assets. If yes, estimate the recoverable amount. Such recoverable amount shall be estimated based on single asset item. If it is difficult, the recoverable amount of the portfolio shall be confirmed based on the portfolio such assets belong to. If the recoverable amount of the assets is lower than book value, reserve for asset depreciation shall be accrued based on such difference, and recognized as loss and gain for the current period.

The above assets impairment losses once be recognized should not be reversed during the accounting periods afterwards.

If the productive biological assets changed the usage as the consumptive biological assets, the cost after the change should be recognized as the book value when changing the usage; of the productive biological assets changed the usage as non-profit living assets, should be recognized according to the book value after the withdrawal of the impairment provision in accord with the regulation of No. 8 of ASBE - Assets Impairment for considering whether there was impairment and should withdraw the impairment provision in ahead of it.

19. Intangible Assets

(1) Pricing Method, Useful Life and Impairment Test

The term “intangible asset” refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape.

The intangible assets shall be initially measured according to its cost. The costs related with the intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded into the costs of intangible assets; otherwise, it shall be recorded into current profits and losses upon the occurrence.

The use right of land gained is usually measured as intangible assets. For the self-developed and constructed factories and other constructions, the related expenditures on use right of land and construction costs shall be respectively measured as intangible assets and fixed assets. For the purchased houses and buildings, the related payment shall be distributed into the payment for use right of land and the payment for buildings, if it is difficult to be distributed, the whole payment shall be treated as fixed assets.

For intangible assets with a finite service life, from the time when it is available for use, the cost after deducting the sum of the expected salvage value and the accumulated impairment provision shall be amortized by straight line method during the service life. While the intangible assets without certain service life shall not be amortized.

At the end of period, the Company shall check the service life and amortization method of intangible assets with finite service life, if there is any change, it shall be regarded as a change of the accounting estimates. Besides, the Company shall check the service life of intangible assets without certain service life, if there is any evidence showing that the period of intangible assets to bring the economic benefits to the enterprise can be prospected, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life.

(2) Accounting Policy for Internal Research and Development Expenditures

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

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

The development expenditures shall be confirmed as intangible assets when they satisfy the following conditions simultaneously, and shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

- ① It is feasible technically to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- ⑤ The development expenditures of the intangible assets can be reliably measured.

As for expenses that can't be identified as research expenditures or development expenditures, the occurred R & D expenses shall be all included in current profits and losses.

(3) Impairment testing method and provision-making method for intangible assets

For details of impairment testing method and provision-making method for intangible assets, see Notes V. 20 "Long-term assets impairment".

20. Impairment of Long-term Assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Company should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

21. Long-term Deferred Expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods. The long-term deferred expenses mainly including land contract fees, land rental fees and house rental fees, and etc. And the long-term deferred expense shall be amortized by the straight-line method averagely within the benefit period.

22. Payroll

(1) Accounting Treatment of Short-term Compensation

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Company should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting Treatment of the Welfare after Departure

Welfare after demission mainly includes basic endowment insurance and unemployment insurance and welfare plans after demission include setting drawing plan. Where the setting drawing plan is adopted, the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

(3) Accounting Treatment of the 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 owing to the relieving plan of the labor relation or the downsizing advice, should confirm the liabilities of the employees' salary from the demission welfare on the earlier day between the cost confirmed by the Company and the cost related to the reorganization of the payment of the demission welfare and includes which in the current gains and losses. But as for the demission welfare be estimated that could not be completed paid within 12 months after the end of the annual Reporting Period, should be handled according to the other long-term employee's salary.

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

The internal retire plan of the employees should be handled by adopting the same principles of the above demission welfare. The Company includes the salary and the paid social insurance charges planed to pay by the personnel retreated inside during the period from the date when ceased the services to the normal retire date in the current gains and losses (demission welfare) when met with the recognition conditions of the estimated liabilities.

The other long-term welfare that the Company offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

23. Revenue

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Selling products

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

As for the revenues from the domestic sales products, the Company delivers the products to the buyers according to the contracts agreement, and the revenues amount of the products sales had been confirmed with the goods payment had been withdrawn or had received the receipt voucher of which the relevant economic benefits probably flow into the enterprise as well as the relevant costs of the products could be reliable measured when being confirming as the revenues.

As for the revenues from the export sales products, the Company executes the customs declaration and the products departure according to the contracts agreement, and the Company had acquired the bill of lading with the revenues amount of the products sale had been confirmed and the goods payment had been withdrawn or had had received the receipt voucher of which the relevant economic benefits probably flow into the enterprise as well as the relevant costs of the products could be reliable measured when being confirming as the revenues.

(2) Providing labor services

If the Company can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet. The completed proportion of a transaction concerning the providing of labor services shall be decided by the proportion of the labor service already provided to the total labor service to provide.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: ① The amount of revenue can be measured in a reliable way; ② The relevant economic benefits are likely to flow into the enterprise; ③ The schedule of completion under the transaction can be confirmed in a reliable way; and ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the outcome of a transaction concerning the providing of labor services can't be measured in a reliable way, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated, and make the cost of labor services incurred as the current expenses. If it is predicted that the cost of labor services incurred couldn't be compensated, thus no revenue shall be recognized.

Where a contract or agreement signed between Company and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can't be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can't be measured respectively, both parts shall be conducted as selling goods.

(3) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis.

(4) Interest revenue

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's monetary fund is used by others and the agreed interest rate.

24. Government Subsidies

The government subsidy refers to the Company gets the monetary and non-monetary assets for free from the government, excluding the capital that the government invests as the investor who enjoys the corresponding owner's equity. It can be divided into the asset-related government subsidy and income-related government subsidy. The Company defines the obtained government subsidy for the acquisition and construction or forming the long-term asset in other ways as the asset-related government subsidy; other government subsidies are defined as the income-related government subsidy. If the government subsidy is monetary asset, it shall be measured according to the received or receivable amount. If the government subsidy is non-monetary asset, it shall be measured according to the fair value; if the fair value can't be got reliably, it shall be measured according to the nominal amount. The government subsidy measured according to the nominal amount shall be calculated in the current profits and losses directly.

The Company usually confirms and measures the government subsidy according to the received amount when receiving actually. However, the financial support fund which can be received complying with the related conditions prescribed in the financial support policy indicated by the conclusive evidence shall be measured according to the receivable amount. The following conditions shall be met for the government subsidy measured by the receivable amount: (1) The receivable subsidy amount has been confirmed by the authorized government department, or it can be measured reasonably according to the officially released provisions related with the financial fund management method, and it is expected there is no major uncertainty for the amount; (2) It is based on the financial support project and financial fund management method actively opened released officially by the local financial department and according to the provision in *Government Information Disclosure Provisions*, the management method shall be universal (any enterprise complying with the prescribed condition can apply) rather than for the specific enterprise; (3) The related subsidy approval document has clearly promised the appropriate term, and the appropriation of the amount shall have the corresponding financial budget for the guarantee, therefore, it can ensure to receive within the prescribed term reasonably.

The asset-related government subsidy shall be confirmed as the deferred income, and it shall be calculated into the current profits and losses by stages in reasonable and systematic way within the service life of related asset. The income-related government subsidy to compensate the related expense and loss later shall be confirmed as the deferred income, and it shall be calculated in the current profits and losses during the period to confirm the related costs or losses; the occurred related costs or losses for compensation shall be calculated in the current profits and losses directly.

For government subsidy including the asset-related government subsidy and the income-related government subsidy at one time, accounting treatment shall be conducted respectively to distinguish the different parts; if it is difficult to distinguish, then it shall be classified into the income-related government subsidy.

Government subsidies related to routine activities of the Company shall be calculated into other income or offset related costs according to the essence of economic business; government subsidies that have nothing to do with routine activities shall be calculated into non-operating income.

When the confirmed government subsidy needs to be returned and there is the related deferred income balance, the related deferred income book balance shall be deducted, and the surpassing part shall be calculated into the current profits and losses; If in other situations, it shall be calculated in the current profits and losses directly.

25. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Income tax of the current period

On the balance sheet date, for the current income tax liabilities (or assets) of the current period as well as the part formed during the previous period, should be measured by the income tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of this year which in accord to the relevant regulations of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities and their tax assessment basis, as well as the temporary difference occurs from the difference between the book value of the items which not be recognized as assets and liabilities but could confirm their tax assessment basis according to the regulations of the tax law, the deferred income tax assets and the deferred income tax liabilities should be recognized by adopting liabilities law of the balance sheet.

No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets is recognized for the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises, and the investing enterprise can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the excepted future. Otherwise, the Group should recognize the deferred income tax liabilities arising from other taxable temporary difference.

No deferred taxable assets should be recognized for the deductible temporary difference of initial recognition of assets and liabilities arising from the transaction which is not business combination, the accounting profits will not be affected, nor will the taxable amount or deductible loss be affected at the time of transaction. Besides, no deferred taxable assets should be recognized for the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises, which are not likely to be reversed in the expected future or is not likely to acquire any amount of taxable income tax that may be used for making up such deductible temporary differences. Otherwise, the Company shall recognize the deferred income tax assets arising from a deductible temporary difference basing on the extent of the amount of the taxable income that is likely to be acquired to make up such deductible temporary differences

For any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax asset shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

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

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The rest current income tax and the deferred income tax expenses or revenue should be included into current gains and losses except for the current income tax and the deferred income tax related to the transaction and events that be confirmed as other comprehensive income or be directly included in the shareholders' equity which should be included in other comprehensive income or shareholders' equity as well as the book value for adjusting the goodwill of the deferred income tax occurs from the business combination.

(4) Offset of income tax

The current income tax assets and liabilities of the Company should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Company should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net

amount or are at the same time acquire the asset as well as liquidate the liabilities.

26. Repurchase of Shares

Consideration and transaction costs paid in share repurchase reduce shareholders' equity. When buying back, transferring or cancelling shares in the Company, no profits or losses are recognized.

The transfer of inventory shares shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset. Write-off of treasury stocks can reduce shares in par with par value and number of write-out stocks. The capital reserve is offset based on the difference between book balance and face value of cancelled treasury stocks. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset.

27. Lease

(1) Accounting Treatment of Operating Lease

(1) Business of operating leases recorded by the Group as the lessee

The rent expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Business of operating leases recorded by the Group as the lessor

The rent incomes from operating leases shall be recognized as the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs of great amount shall be capitalized when incurred, and be recorded into current profits and losses in accordance with the same basis for recognition of rent incomes over the whole lease term. The initial direct costs of small amount shall be recorded into current profits and losses when incurred. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Accounting Treatments of Financial Lease

(1) Business of finance leases recorded by the Company as the lessee

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. Besides, the initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The balance through deducting unrecognized financing charges from the minimum lease payments shall be respectively stated in long-term liabilities and long-term liabilities due within 1 year.

Unrecognized financing charges shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing charges. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Business of finance leases recorded by the Company as the lessor

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the

unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

Unrecognized financing incomes shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing revenues. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

28. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

☐ Applicable ☒ Not applicable

(2) Changes in Accounting Estimates

☐ Applicable ☒ Not applicable

29. Significant Accounting Adjustemnt and Estimates

Due to the internal uncertainty of operating activities, the Company needs to make judgments, estimates and assumptions for carrying amounts of statement items that can't be measured accurately during the process of applying accounting policies. Such judgments, estimates and assumptions are made on the basis of the past experience of Company's management staffs and on the consideration of other relevant factors. Such judgments, estimates and assumptions have effect on reporting amount of incomes, expense, assets and liabilities, as well as disclosure of contingent liabilities on the balance sheet date. However, the uncertainty of such estimates may results in major adjustments of carrying amounts of assets or liabilities that will be influenced in future.

The Company shall have a check on the aforesaid judgments, estimates and assumptions at fixed intervals on the basis of sustainable operation. As for the change in accounting estimates that only effects on the current period of the change, the affected amount thereof shall be recognized at current period of the change. As for accounting estimates that effects on both the current period of the change and future periods, the affected amount thereof shall be recognized at current period of the change and future periods.

On balance sheet date, major fields requiring judgments, estimates and assumptions on amounts of financial statement items by the Company are as follows:

(1) Classification of leases

In line with rules in Accounting Standards for Enterprises No. 21 – Leases, the Company classifies leases into operating leases and finance leases. Upon the classification, the management staffs need to make analysis and judgments on whether to essentially transfer all risks and remuneration relating to the ownership of leased-out assets to the lessee, or whether the Company has essentially undertaken all risks and remuneration relating to the ownership of leased-in assets.

(2) Withdrawal of bad debt provisions

The Company shall, in accordance with accounting policies of receivables, calculate bad debt provisions by adopting allowance method. Impairment of accounts receivable is based on the assessment of the recovery of accounts receivable. Identification of impairment of accounts receivable requires judgments and estimates by management staffs. The difference between actual outcomes and originally estimated outcomes, which will influence the carrying amount of accounts receivable and bad debt provisions thereof in the estimated period of the change, shall be withdrawn or reversed.

(3) Inventory depreciation reserves

The Company shall calculate whichever is lower between the cost and realizable net value in light of inventory accounting policies. As for inventories of which the cost is higher than the realizable net value and inventories which are obsolete and unsalable inventory depreciation reserves shall be withdrawn. Impairment of inventories to realizable net value is based on the assessment of the marketing of inventories and realizable net value thereof. Identification of inventory impairment requires well-established evidences by management staffs, as well as judgments and estimates based on consideration of the purpose of holding inventories and other factors such as events occurring after the date of balance sheet. The difference between actual outcomes and originally estimated outcomes, which will influence the carrying amount of inventories and inventory depreciation reserves in the estimated period of the change, shall be withdrawn or reversed.

(4) Fair values of financial instruments

As for financial instruments not existing in active trading market, the Company shall determine their fair values by all kinds of assessment methods, which include model analysis of discounted cash flow and etc. During the assessment, the Company needs to assess for respects such as future cash flows, credit risks, market volatility, correlation, and choose appropriate discount rate. Such related assumptions have uncertainty, of which the change will effect on fair values of financial instruments.

(5) Impairment of financial assets available for sale

To a large extent, whether the impairment of financial assets available for sale is recognized or not relies on the judgments and assumptions of the management staffs. In that way, the Company shall be certain about whether to recognize impairment losses of financial assets available for sale in the profit statement. During the process of making judgments and assumptions, the Company needs to evaluate how much the fair value of such investment is less than its cost, how long such investment will last, and the financial condition and short-term business outlook of the invested parties, which include industry status, technology transform, credit rating, default rate and risks from the opposite parties.

(6) Impairment provisions for long-term assets

The Company shall judge whether there is sign of impairment of non-current assets other than financial assets on balance sheet date. Intangible assets with uncertain service lives, besides being conducted with annual impairment test every year, have to accept impairment tests when there is sign of impairment. Other non-current assets except for financial assets have to accept impairment tests when there is sign indicating the carrying amount thereof is unrecoverable.

When the carrying amounts of the asset or group assets are higher than the recoverable amounts, namely whichever is higher between the net amount through deducting disposal charges from the fair value and the present value of the estimated future cash flow, impairment occurs.

The net amount of the fair value of an asset minus the disposal expenses shall be determined in light of the amount of the basis of the price as stipulated in the sales agreement or the observable market price in the fair transaction minus the incremental cost directly subject to the disposal of the asset.

When estimating present value of future cash flows, it is necessary to make significant judgments on characters of the asset or asset group, such as output, sales price, related operating costs, and discount used to calculate the present value. When estimating recoverable amount, the Company shall adopt all relevant materials that can be required, including estimates relating to output, sales price and relevant operating costs judged by rational and supportable assumptions.

The Company tests whether there is impairment of good will at least for every year, which requires itself to estimate the present value of the future cash flow of group assets or combination of group assets. When estimating the present value of the future cash flow, the Company needs to estimate the cash flow arising from future group assets or combination of group assets, and at the same time choose appropriate discount rate to determine the present value of the future cash flow.

(7) Depreciation and amortization

Upon consideration on the salvage value of investment real estates, fixed assets and intangible assets, the Company shall withdraw depreciation and amortization by straight-line method over their service lives. The Company checks on service lives at fixed intervals, so as to determine the amounts of depreciation expenses and amortization expenses at each period. Service lives are confirmed in

accordance with the past experience on similar assets of the Company, along with renewed technology of expectation. If any significant change occurred to previous estimated, depreciation expenses and amortization expenses will be adjusted in future period.

(8) Deferred income tax assets

In a limit providing large possibility of offset losses from sufficient taxable profits, the Group shall recognize deferred income tax assets in line with all unused tax losses, which requires management staffs of the Group to estimate the time when future taxable profits occurs and the amount thereof by applying plenty of judgments and combining tax planning strategies, so as to determine the amount of the recognizable deferred income tax assets.

(9) Income taxes

There's certain uncertainty of disposal and calculation of taxes of partial transactions in normal operating activities. It is uncertain whether some pre-taxed items can set aside the approvals by tax authorities or not. If there are differences between the ultimate recognition outcomes and the originally estimated amounts of such tax issues, then such differences shall effect on the current income tax and deferred income tax during the ultimate recognition period.

(10) Measurement of fair value

Some of assets and liabilities in financial statement of the Company are measured by fair value. When estimating the fair value of a asset or liability, the Company adopts the available and observable market data. During the process of confirming the fair value of various assets and liabilities, relevant information of the adopted valuation technique and input value was disclosure in Note XI.

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 17%, 16%, 11%, 10%, 6%, 5%, 3%, and 0% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period.	17%、16%、11%、10%、6%、5%、3%、0%
Urban maintenance and construction tax	Paid at 7%, 5%, 1% of the circulating tax actually paid	7%、5%、1%
Enterprise income tax	Paid at 0%, 15%, 16.5% and 25% of taxable income respectively	0%、15%、16.5%、25%

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

Taxpayer	Income tax rate
The Company	15%
Lufeng Weaving & Dyeing Co., Ltd. (hereinafter refer to as "Lufeng Weaving & Dyeing")	15%
Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refer to as "Lu Thai Hong Kong")	16.50%
Xinjiang Lu Thai Harvest Cotton Co., Ltd. ("Xinjiang Lu Thai")	25%
Zibo Luqun Textile Co., Ltd. (hereinafter refer to as "Luqun Textile")	25%
Zibo Xinsheng Power Co., Ltd. hereinafter refer to as "Xinsheng Power")	25%
Beijing Innovative Garment Co., Ltd. (hereinafter referred to as "Beijing Innovative")	25%
Shanghai Lu Thai Textile & Garments Co., Ltd. (hereinafter referred to as "Shanghai Lu Thai")	25%

Beijing Lu Thai Youxian Electronic Commerce Co., Ltd. (hereinafter referred to as “Beijing Youxian”)	25%
Shanghai Zhinuo Textile New Materials Co., Ltd. (“Shanghai Zhinuo”)	25%
Zibo Helijie Energy-saving Technology Service Co., Ltd. (hereinafter referred to as “Helijie”)	25%
Xinjiang Lu Thai Textile Co., Ltd. (hereinafter referred to as “Xinjiang Textile”)	15%
Lu Thai (Cambodia) Textile Co., Ltd. (hereinafter referred to as “Lu Thai Cambodia”)	0%
Lu Thai (Burma) Textile Co., Ltd. (hereinafter referred to as “Lu Thai Burma”)	0%
Lu Thai (Vietnam) Textile Co., Ltd. (hereinafter referred to as “Lu Thai Vietnam”)	0%
Lu An Garments Co., Ltd. (hereinafter referred to as “Lu An Garments”)	0%
Lu Thai (America) Textile Co., Ltd. (hereinafter referred to as “Lu Thai America”)	Refer to 2. Tax Preference presented as follows for details

2. Tax Preference

According to the "On the Recognition of 2078 Enterprises as High-tech Enterprises for 2017 such as WeihaiTuozyan Fiber Co., Ltd." (LK Zi[2018] No. 37) issued Department of Science and Technology of Shandong Province, Shandong Provincial Finance Department, State Administration of Taxation of Shandong Province and Local Taxation Bureau of Shandong Province, the Company and the holding subsidiary Lufeng Weaving and Dyeing Co., Ltd. were identified as high-tech enterprises. Pursuant to Article 28 of the "Law of the PRC on Enterprise Income Tax" and the No. 23 Announcement revised and published by the State Administration of Taxation in 2018, namely "Management of Preferential Policy on Corporate Income Tax" and the "Measures for the Administration of the Recognition of Hi-tech Enterprises" GKFH [2016] No. 195 revised and published by the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, the Company and the holding subsidiary Lufeng Weaving and Dyeing Co., Ltd. enjoy a corporate income tax rate of 15%.

According to the "Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy " (CS[2011] No. 58), Xinjiang Textile Co., Ltd., the subsidiary of Lu Thai in Xinjiang, enjoys a preferential corporate income tax rate of 15%.

Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refers as Lu Thai (Hong Kong) Textile), the wholly-owned subsidiary company 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 Lu Thai Cambodia, according to the Lu Thai Cambodia Profits tax free approval issued by Investment Committee of Cambodia, Lu Thai Cambodia enjoys tax preference of tax free on corporate income tax of 3 (3 years start-up period) + 3 (3 years tax holiday)+1 (1 year grace period). If profit during the 3 year start-up period then turn into 3 years tax holiday, after grace period, enterprise income tax rate was of 20%.

The wholly own subsidiary Lu Thai Burma, according to the Burma's Special Economic Zone Law issued by Pyidaungsu Hluttaw, Lu Thai Burma enjoys tax preference on corporate income tax of 7 (7 years tax holiday) + 5 (5 years tax revenues drop by half) + 5 (re-invest the profits within 1 year and continues to enjoy the half tax revenues 5 years afterwards). After grace period, enterprise income tax rate was of 25%.

The wholly-owned subsidiary Lu Thai (Vietnam) Textile Co., Ltd. shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Fudong Industrial Zone Management Committee, and it will enter into 2 years' duty-free term if it is profitable within 3 years' starting term. The enterprise income tax rate shall be 20% after the preference term ends. The Company shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends.

The wholly-owned subsidiary Lu An Garments Co., Ltd. shall enjoy the preference of enterprise income tax at 3 years' starting term + 2 years' duty-free term + 4 years' half-tax term according to the investment license issued by Vietnamese Anjiang Province Economic Zone Management Committee, and it will enter into duty-free term if the profitability is realized at any year within 3 years' starting term. The Company shall enjoy 17% of the preference tax rate within 10 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends.

Lu Thai America, the wholly-owned subsidiary of the Company registered in New York, America, was imposed the federal enterprise income tax at progressive tax rate in excess of specific amount of 15%-39%, and imposed the New York Enterprise income tax at the rate of 6.5%. The income tax rate shall be 6.5% when the sales income in New York was below US\$1 million, while 8.85% when above US\$1 million.

VII. Notes to Major Items in the Consolidated Financial Statements of the Company

1. Monetary Funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	9,087,924.86	8,040,420.28
Bank deposits	526,046,848.04	668,598,792.58
Other monetary funds	10,367,936.46	17,350,080.52
Total	545,502,709.36	693,989,293.38
Of which: total amount deposited overseas	92,173,384.32	54,911,636.96

Other notes

As of 31 December 2018, the monetary capital with restricted ownership of the Company was RMB10,367,936.46 (31 December 2017: RMB17,350,080.52), among which, RMB10,000,000.00 was pledged for short-term borrowings from banks by the Company's subsidiary Xinjiang Lu Thai (refer to NoteVII-19 and NoteVII-54), RMB295,288.20 was used as cash deposit for opening L/C and RMB72,648.26 was used as cash deposit for opening L/G by the subsidiary Lufeng Weaving & Dyeing.

2. Notes Receivable and Accounts Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	174,657,918.26	139,276,742.34
Accounts receivable	374,607,116.55	334,080,524.05
Total	549,265,034.81	473,357,266.39

(1)Notes Receivable

1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	72,215,993.39	28,926,913.53
L/C	102,441,924.87	110,349,828.81
Total	174,657,918.26	139,276,742.34

2) Notes Receivable which Had Endorsed by the Company or had Discounted and had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	178,971,553.11	
Total	178,971,553.11	

(2)Accounts Receivable

1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55	351,991,919.14	100.00%	17,911,395.09	5.09%	334,080,524.05
Total	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55	351,991,919.14	100.00%	17,911,395.09	5.09%	334,080,524.05

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subtotal of within 1 year	393,182,054.12	19,659,102.74	5.00%

1 to 2 years	851,438.00	85,143.82	10.00%
2 to 3 years	397,338.74	79,467.75	20.00%
Total	394,430,830.86	19,823,714.31	5.03%

Notes of the basis of recognizing the group:

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB1,955,031.74; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Significant amount of reversed or recovered bad debt provision:

None

3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Accounts receivable actually verified	42,712.52

Of which: significant actual verification of accounts receivable

None

Notes of the verification of accounts receivable:

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

The Top 5 of the ending balance of the accounts receivable collected according to the arrears party for the Company was RMB112,823,256.42 accounting for 28.60% of total ending balance of accounts receivable. And the ending balance of bad debt provision withdrawn was RMB5,641,162.82.

3. Prepayments

(1) List by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	149,436,553.91	99.90%	145,673,771.77	99.46%
1 to 2 years	10,838.26	0.01%	625,210.35	0.43%
2 to 3 years	8,319.04	0.01%	162,029.49	0.11%
Over 3 years	126,905.00	0.08%	2,054.77	0.00%
Total	149,582,616.21	--	146,463,066.38	--

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

(2) Top 5 of the Ending Balance of the Prepayments Collected according to the Prepayment Target

The total top 5 of the ending balance of the prepayments collected according to the prepayment target for the Company was RMB106,260,293.93 accounting for 71.04% of total ending balance of prepayments.

Other notes:

4. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable		590,003.07
Other receivables	63,012,001.10	56,182,782.04
Total	63,012,001.10	56,772,785.11

(1) Interest Receivable

1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed time deposits		590,003.07
Total		590,003.07

(2) Other Receivables

1) Other Receivables Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other receivables withdrawn bad debt provision according to credit risks characteristics	68,104,571.98	99.14%	5,092,570.88	7.48%	63,012,001.10	62,067,808.10	100.00%	5,885,026.06	9.48%	56,182,782.04
Other receivables with insignificant single amount for	592,437.23	0.86%	592,437.23	100.00%						

which bad debt provision separately accrued										
Total	68,697,009.21	100.00%	5,685,008.11	8.28%	63,012,001.10	62,067,808.10	100.00%	5,885,026.06	9.48%	56,182,782.04

Other receivables with significant single amount for which bad debt provision separately accrued at the period-end:

☐ Applicable ☒ Not applicable

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion
Subtotal of within 1 year	59,117,907.18	2,955,895.33	5.00%
1 to 2 years	2,585,348.38	258,534.84	10.00%
2 to 3 years	422,542.07	84,508.41	20.00%
Over 3 years	5,978,774.35	1,793,632.31	30.00%
Total	68,104,571.98	5,092,570.88	7.48%

Notes:

Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB-200,017.95; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Significant amount of reversed or recovered bad debt provision during the Reporting Period:

None

3) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export taxes refund	25,988,374.88	26,928,248.68
Advance payment	30,975,850.53	19,470,920.20
Cash Pledge & Margin	6,227,752.93	5,915,873.52
Borrowings and petty cash	3,232,785.56	1,533,438.12
Other	2,272,245.31	8,219,327.58
Total	68,697,009.21	62,067,808.10

4) 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 ending balance of other receivables%	Ending balance of bad debt provision
Export taxes refund receivable	Export taxes refund	25,988,374.88	Within 1 year	41.25%	1,299,418.74
Advances for agricultural machinery	Advance	7,108,109.14	Within 1 year	11.28%	355,405.46
Advance money receivable of the fundraising houses	Advance	5,641,728.49	Within 1 year	8.95%	282,086.42
Cash deposit for salary of migrant workers in Zichuan district of Zibo city	Cash deposit for salary of migrant workers for construction work	2,955,620.10	Over 3 years	4.69%	886,686.03
Advances for heating fees of employees	Advance	2,043,220.77	Within 1 year	3.24%	102,161.04
Total	--	43,737,053.38	--	69.41%	2,925,757.69

5. Inventories

Whether the Company need satisfy relevant disclosure requirements governing the real estate industry

No

(1) Category of Inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	768,264,219.42	2,069,324.65	766,194,894.77	859,429,529.00	1,172,453.02	858,257,075.98
Goods in process	568,371,033.96		568,371,033.96	508,535,945.66		508,535,945.66
Inventory goods	798,090,300.29	64,960,183.31	733,130,116.98	754,961,464.17	51,653,377.28	703,308,086.89
Consumptive living assets	1,352,241.24	266,680.61	1,085,560.63	1,531,621.67	404,221.67	1,127,400.00
Assigned processing products	24,585,385.96		24,585,385.96	29,432,713.40		29,432,713.40
Total	2,160,663,180.87	67,296,188.57	2,093,366,992.30	2,153,891,273.90	53,230,051.97	2,100,661,221.93

Whether the Company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.4---Listed Company Specialized in Seed Industry and Planting Businesses or not?

No

Whether the Company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.11-Listed Company Specialized in Jewelry-related Business or not?

No

(2) Falling Price Reserves of Inventories

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,172,453.02	2,069,324.65		1,172,453.02		2,069,324.65
Inventory goods	51,653,377.28	39,925,825.39		26,619,019.36		64,960,183.31
Consumptive living assets	404,221.67			137,541.06		266,680.61
Total	53,230,051.97	41,995,150.04		27,929,013.44		67,296,188.57

(3) The Withdrawal Basis for Inventory Falling Price Reserves and Reasons for Write-back or Write-off during the Reporting Period

Item	Specific basis of withdrawal of inventory falling price reserves	Reasons for write-back	Reasons for write-off
Raw materials	The lower one between cost of each item of inventory and its realizable net value		Disposed in the Reporting Period
Inventory goods	The lower one between cost of each item of inventory and its realizable net value		Sold in the Reporting Period
Consumptive living assets	The lower one between cost of each item of inventory and its realizable net value		Sold in the Reporting Period

Note: ① The inventory falling price reserves shall be made based on the balance of inventory cost and the realizable net value regarding the former is higher than the latter, which is caused by the quality problem and long stock age of some raw materials, and finished goods as well as decrease in market price in consumptive living assets Hu Sheep.

②The Company's subsidiary Xinjiang Lu Thai pledged inventories with carrying value of RMB270,068,760.00 for short-term borrowings from the bank (refer to Note VII-19 and Note VII-54).

(4) Notes to the Ending Balance of Inventories Including Capitalized Borrowing Expense

(5) Completed but Unsettled Assets Generated from Construction Contracts at the Period-end

6. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Prepaid income tax to be deducted	4,820,039.66	302,275.14
VAT input tax to be deducted	69,931,124.83	68,286,428.20
Financial products		50,000,000.00
B-share repurchase account	11,615,290.07	
Total	86,366,454.56	118,588,703.34

Other notes: none

7. Available-for-sale Financial Assets

(1) List of Available-for-sale Financial Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Available-for-sale debt instruments:	60,612,000.00		60,612,000.00	60,033,000.00		60,033,000.00
Available-for-sale equity instruments:	67,282,600.00	42,782,600.00	24,500,000.00	67,282,600.00	42,782,600.00	24,500,000.00
Measured at cost	67,282,600.00	42,782,600.00	24,500,000.00	67,282,600.00	42,782,600.00	24,500,000.00
Total	127,894,600.00	42,782,600.00	85,112,000.00	127,315,600.00	42,782,600.00	84,533,000.00

(2) Available-for-sale Financial Assets Measured by Fair Value at the Period-end

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Equity instrument costs/debt instrument amortization costs	60,000,000.00		60,000,000.00
Fair value	60,612,000.00		60,612,000.00
Accumulative amount of changes in fair value included in other comprehensive income	612,000.00		612,000.00

(3) Available-for-sale Financial Assets Measured by Cost at the Period-end

Unit: RMB

Investee	Carrying amount				Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-beginning	Increase	Decrease	Period-end	Period-beginning	Increase	Decrease	Period-end		
Yantai Rongchang Pharmacy Co., Ltd. (hereinafter refer to as "Rongchang Pharmacy")	55,282,600.00			55,282,600.00	42,782,600.00			42,782,600.00	3.13%	
Shandong Hongqiao Power Co., Ltd. (Hongqiao Power)	12,000,000.00			12,000,000.00					19.38%	
Total	67,282,600.00			67,282,600.00	42,782,600.00			42,782,600.00	--	

(4) Changes in Depreciation of Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

Category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Beginning balance of impairment withdrawn	42,782,600.00		42,782,600.00
Ending balance of impairment withdrawn	42,782,600.00		42,782,600.00

8. Long-term Receivables

(1) List of Long-term Receivables

Unit: RMB

Item	Ending balance			Beginning balance			Interval of discount rate
	Carrying amount	Bad debt provision	Carrying value	Carrying amount	Bad debt provision	Carrying value	
Financing lease accounts	650,000.00		650,000.00				15.37%
Of which: unrealized financing income	105,603.04		105,603.04				

Long-term advances receivable	10,572,468.16	528,623.41	10,043,844.75				
Total	11,222,468.16	528,623.41	10,693,844.75				--

9. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserves
		Addi onal invest ment	Red uced inve stme nt	Gains and losses recognized under the equity method	Adjustm ent of other compreh ensive income	Chang es of other equity	Cash bonus or profits announced to issue	Withdra wal of deprecia tion reserves	Other		
I. Joint ventures											
II. Associated enterprises											
Ningbo Meishan Bonded Poer Area Haohong Equity Investment Partnership (L.P) (hereinafter referred to as “Haohong Investment”)	97,536,732.02			-1,518,268.37						96,018,463.65	
Subtotal	97,536,732.02			-1,518,268.37						96,018,463.65	
Total	97,536,732.02			-1,518,268.37						96,018,463.65	

10. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original carrying value				

1. Beginning balance	35,982,382.40			35,982,382.40
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\construction in progress				
(3) Enterprise combination increase				
3. Decreased amount of the period	3,582,400.00			3,582,400.00
(1) Disposal	3,582,400.00			3,582,400.00
(2) Other transfer				
4. Ending balance	32,399,982.40			32,399,982.40
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	11,418,837.82			11,418,837.82
2. Increased amount of the period	1,368,740.42			1,368,740.42
(1) Withdrawal or amortization	1,368,740.42			1,368,740.42
3. Decreased amount of the period	3,267,838.79			3,267,838.79
(1) Disposal	3,267,838.79			3,267,838.79
(2) Other transfer				
4. Ending balance	9,519,739.45			9,519,739.45
III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	22,880,242.95			22,880,242.95
2. Beginning carrying value	24,563,544.58			24,563,544.58

11. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
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Fixed assets	5,748,562,385.35	5,421,295,850.03
Total	5,748,562,385.35	5,421,295,850.03

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value					
1. Beginning balance	3,136,008,729.48	6,013,226,456.60	75,605,860.26	118,680,314.89	9,343,521,361.23
2. Increased amount of the period	190,717,425.62	610,870,898.51	7,017,277.89	11,065,615.88	819,671,217.90
(1) Purchase	4,663,594.43	445,728,112.67	6,851,625.84	10,460,699.17	467,704,032.11
(2) Transfer from construction in progress	173,880,054.64	145,520,331.02		421,197.50	319,821,583.16
(3) Enterprise combination increase					
(4) Other	12,173,776.55	19,622,454.82	165,652.05	183,719.21	32,145,602.63
3. Decreased amount of the period	75,440,343.48	56,833,448.59	18,930,937.56	4,180,910.06	155,385,639.69
(1) Disposal or Scrap	9,029,397.60	56,833,448.59	18,930,937.56	4,180,910.06	88,974,693.81
(2) Transfer of construction in progress	66,410,945.88				66,410,945.88
4. Ending balance	3,251,285,811.62	6,567,263,906.52	63,692,200.59	125,565,020.71	10,007,806,939.44
II. Accumulative depreciation					
1. Beginning balance	888,764,731.56	2,869,058,997.31	53,792,239.67	78,471,588.54	3,890,087,557.08
2. Increased amount of the period	100,032,141.65	306,681,594.29	4,513,656.02	11,441,894.54	422,669,286.50
(1) Withdrawal	98,847,636.36	304,101,675.37	4,444,243.23	11,348,582.63	418,742,137.59
(2) Other	1,184,505.29	2,579,918.92	69,412.79	93,311.91	3,927,148.91
3. Decreased amount of the period	29,285,208.19	45,885,545.23	17,160,096.30	3,865,431.21	96,196,280.93
(1) Disposal or Scrap	6,204,276.94	45,885,545.23	17,160,096.30	3,865,431.21	73,115,349.68
(2) Transfer of construction in progress	23,080,931.25				23,080,931.25
4. Ending balance	959,511,665.02	3,129,855,046.37	41,145,799.39	86,048,051.87	4,216,560,562.65
III. Depreciation reserves					

1. Beginning balance	2,893,416.89	29,123,503.34	27,269.67	93,764.22	32,137,954.12
2. Increased amount of the period		13,226,669.80		22,880.00	13,249,549.80
(1) Withdrawal		13,226,669.80		22,880.00	13,249,549.80
3. Decreased amount of the period		2,701,046.50	2,465.98		2,703,512.48
(1) Disposal or Scrap		2,701,046.50	2,465.98		2,703,512.48
4. Ending balance	2,893,416.89	39,649,126.64	24,803.69	116,644.22	42,683,991.44
IV. Carrying value					
1. Ending carrying value	2,288,880,729.71	3,397,759,733.51	22,521,597.51	39,400,324.62	5,748,562,385.35
2. Beginning carrying value	2,244,350,581.03	3,115,043,955.95	21,786,350.92	40,114,962.13	5,421,295,850.03

(2) Fixed Assets Leased out by Operation Lease

Unit: RMB

Item	Ending carrying value
Houses and buildings	18,743,628.71

(3) Fixed Assets Failed to Accomplish Certification of Property

Unit: RMB

Item	Carrying value	Reason
Weaving and yarn dying workshop	101,571,711.77	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of eastern area of industrial park	41,532,673.45	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Spinning Fourth factory workshop	89,599,430.51	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of western area of industrial park	121,719,256.73	Ongoing inspection, surveying, verification to application procedures by Housing authorities for some assets and uncompleted inspection by relevant authorities for some other assets
Eastern sample plant	29,822,729.70	Uncompleted inspection by relevant authorities
Lufeng weaving dye workshop	125,905,390.60	Ongoing registration of premises permit by real estate exchange
Xinjiang construction project of 100,000-spindle spinning production line	64,788,650.97	Ongoing verification to application procedures by Bureau of Land Resources

Other notes:

Note: a. The subsidiary of the Company Xinjiang Lu Thai pledged the fixed assets with carrying value of RMB54,356,312.70 for short-term borrowings from the bank. Refer to Note VII-19 and VII-54 for details.

b. The other increase in carrying original value of fixed assets and in accumulative depreciation refers to the exchange rate difference when the recording currencies of overseas subsidiaries were converted into RMB due to changes in exchange rate.

12. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	244,493,960.75	157,421,820.68
Engineering materials	92,736,685.67	56,913,806.06
Total	337,230,646.42	214,335,626.74

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Roof transformation engineering of for the whole eastern weaving complex workshop						
Renovation project for exhibition hall and office building	24,788,720.86		24,788,720.86			
Reform project of Xinsheng Thermal Power	12,145,265.65		12,145,265.65	6,192,038.65		6,192,038.65
Expansion project of Xinsheng Thermal Power				744,000.00		744,000.00
Expansion project of Xinsheng Thermal Power (Phase II)	73,512,524.40		73,512,524.40			
Heat supply engineering of Chengshun Heating	9,025,279.89		9,025,279.89	1,805,751.30		1,805,751.30
Reform engineering of 100,000-spindle spinning				77,875,603.13		77,875,603.13
Lu Thai (Vietnam) project	12,414,796.74		12,414,796.74	34,325,323.53		34,325,323.53
Spinning Phase II of Lu Thai (Vietnam) project	3,908,174.87		3,908,174.87	4,922,411.28		4,922,411.28
Yarn Dye Phase II of Lu Thai	83,880,726.83		83,880,726.83			

(Vietnam) project						
Project of Lu An Garments	4,140,135.90		4,140,135.90	3,371,413.19		3,371,413.19
Other retails projects	20,678,335.61		20,678,335.61	28,185,279.60		28,185,279.60
Total	244,493,960.75		244,493,960.75	157,421,820.68		157,421,820.68

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

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Roof transformation engineering of for the whole eastern weaving complex workshop	36,000,000.00		43,574,945.54	43,574,945.54			100.00%	100.00%				
Renovation project for exhibition hall and office building	13,200,000.00		24,788,720.86			24,788,720.86	91.00%	91.00%				
Reform project of	20,000,000.00	6,192,038.65	12,675,408.76	6,722,181.76		12,145,265.65	94.00%	94.00%				

Xinsheng Thermal Power												
Expansion project of Xinsheng Thermal Power	240,000,000.00	744,000.00	3,725,723.74	4,469,723.74			100.00%	100.00%				
Expansion project of Xinsheng Thermal Power (Phase II)	97,950,000.00		73,512,524.40			73,512,524.40	75.00%	75.00%				
Heat supply engineering of Chengshun Heating	25,390,000.00	1,805,751.30	15,052,759.93	7,833,231.34		9,025,279.89	66.00%	66.00%				
Reform engineering of 100,000-spindle spinning	156,000,000.00	77,875,603.13	33,443,340.10	111,318,943.23			100.00%	100.00%				
Lu Thai (Vietnam) project	242,282,300.00	34,325,323.53	34,393,705.26	56,304,232.05		12,414,796.74	99.00%	99.00%				
Spinning Phase II of Lu Thai (Vietnam) project	52,750,000.00	4,922,411.28	46,104,062.95	47,118,299.36		3,908,174.87	96.00%	96.00%				

Yarn Dye Phase II of Lu Thai (Vietnam) project	110,300,000.00		83,880,726.83			83,880,726.83	76.00%	76.00%				
Project of Lu An Garments	93,035,700.00	3,371,413.19	32,851,736.84	32,083,014.13		4,140,135.90	99.00%	99.00%				
Other retails projects		28,185,279.60	2,890,068.02	10,397,012.01		20,678,335.61						
Total	1,086,908,000.00	157,421,820.68	406,893,723.23	319,821,583.16		244,493,960.75	--	--				--

(3) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Specific materials						
Specific equipment	92,736,685.67		92,736,685.67	56,913,806.06		56,913,806.06
Total	92,736,685.67		92,736,685.67	56,913,806.06		56,913,806.06

13. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Patent right	Software use right	Brand use right	Total
I. Original carrying value					
1. Beginning balance	604,760,289.56	1,985,176.47	6,710,503.67	300,000.00	613,755,969.70
2. Increased amount of the period			3,000,186.12		3,000,186.12
(1) Purchase			3,000,186.12		3,000,186.12
(2) Internal R&D					

(3) Business combination increase					
3. Decreased amount of the period	24,002,787.93				24,002,787.93
(1) Disposal	5,969,822.39				5,969,822.39
(2) Losing efficiency and derecognized	18,032,965.54				18,032,965.54
4. Ending balance	580,757,501.63	1,985,176.47	9,710,689.79	300,000.00	592,753,367.89
II. Accumulated amortization					
1. Beginning balance	111,042,573.91	1,422,710.04	2,252,384.27	90,000.00	114,807,668.22
2. Increased amount of the period	15,058,905.80	198,517.68	3,819,982.05	30,000.00	19,107,405.53
(1) Withdrawal	15,058,905.80	198,517.68	3,819,982.05	30,000.00	19,107,405.53
3. Decreased amount of the period	19,850,770.31				19,850,770.31
(1) Disposal	1,817,804.77				1,817,804.77
(2) Losing efficiency and derecognized	18,032,965.54				18,032,965.54
4. Ending balance	106,250,709.40	1,621,227.72	6,072,366.32	120,000.00	114,064,303.44
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	474,506,792.23	363,948.75	3,638,323.47	180,000.00	478,689,064.45
2. Beginning carrying value	493,717,715.65	562,466.43	4,458,119.40	210,000.00	498,948,301.48

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) Land Use Right with Certificate of Title Uncompleted

Unit: RMB

Item	Carrying value	Reason
Land use right	107,288,609.62	Pledged for short-term borrowings

Other notes:

The Company's subsidiary Xinjiang Lu Thai pledged the land use right with carrying value of RMB107,288,609.62 for short-term borrowings from the bank. Refer to Note VII-19 and Note VII-54 for details.

14. R&D Expense

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Internal R&D expense	Other	Recognized as intangible assets	Transferred into the current profit or loss	
R&D of products		289,395,092.58			289,395,092.58	
Total		289,395,092.58			289,395,092.58	

Other notes

15. Goodwill

(1) Original Carrying Value of Goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Beginning balance	Increase		Decrease		Ending balance
Xinsheng Power	20,563,803.29					20,563,803.29
Helijie	50,000.00					50,000.00
Total	20,613,803.29					20,613,803.29

16. Long-term Prepaid Expense

Unit: RMB

Item	Beginning balance	Increased amount	Amortization amount of the period	Other decreased amount	Ending balance
Land contracting fee of Xinjiang Luthai	26,693,642.92		1,086,219.00		25,607,423.92
Decoration fee of Xinjiang Lu Thai	865,660.06		192,980.65		672,679.41
Land rent of overseas subsidiaries	80,148,619.17	15,354,332.37	2,656,647.16		92,846,304.38

Housing rent of overseas subsidiaries	169,272.37	2,380.73	171,653.10		
Total	107,877,194.52	15,356,713.10	4,107,499.91		119,126,407.71

17. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets that Had not Been Set-off

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	169,477,066.74	27,322,107.95	140,256,135.72	22,531,008.74
Unrealized profit of internal transactions	130,892,601.80	16,151,715.20	100,706,925.35	11,627,841.87
Deductible losses	16,532,477.30	2,479,871.60		
One-time listed decoration expenses	4,140,492.30	1,035,123.08	5,405,702.23	1,351,425.56
Payroll payable	122,397,245.35	18,458,763.12	124,021,657.72	18,701,206.18
Deferred income	140,183,446.39	22,457,708.11	126,737,092.32	20,485,677.36
Changes in fair value of trading financial liabilities	4,877,600.00	731,640.00		
Total	588,500,929.88	88,636,929.06	497,127,513.34	74,697,159.71

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	162,016,488.25	25,838,853.38	16,820,058.15	2,899,949.46
Unrealized profit of internal transactions	13,996,286.66	2,099,443.00		
Changes in fair value of available-for-sale financial assets	612,000.00	91,800.00	33,000.00	4,950.00
Total	176,624,774.91	28,030,096.38	16,853,058.15	2,904,899.46

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	9,323,059.10	11,690,891.52
Deductible losses	26,603,299.43	27,993,886.84
Total	35,926,358.53	39,684,778.36

(4) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Unit: RMB

Years	Ending amount	Beginning amount	Notes
Y2018		97,981.65	
Y2019	451,833.98	1,456,659.23	
Y2020	18,170,464.10	18,458,244.61	
Y2021	4,250,703.45	4,250,703.45	
Y2022	3,730,297.90	3,730,297.90	
Y2023			
Total	26,603,299.43	27,993,886.84	--

18. Other Non-current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for equipment	17,275,143.10	28,984,077.85
Prepayment for land	1,996,937.00	7,406,401.00
Prepayment for rental fees of land	23,828,135.77	
Total	43,100,215.87	36,390,478.85

19. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowings	450,000,000.00	440,000,000.00
Guaranteed borrowings	250,108,063.34	28,254,022.53
Credit borrowings	625,165,716.71	666,870,973.87
Total	1,325,273,780.05	1,135,124,996.40

Notes of short-term borrowings category:

For details of category and amount for each assets mortgaged for mortgage borrowings, please refer to Note VII-5-11, 13 and 54.

20. Financial Liabilities at Fair Value through Profit or Loss

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities	4,877,600.00	
Derivative financial liabilities	4,877,600.00	
Total	4,877,600.00	

21. Notes Payable and Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Notes payable	502,347.05	7,301,771.85
Accounts payable	353,186,163.90	366,265,132.65
Total	353,688,510.95	373,566,904.50

(1) Notes Payable Listed by Category

Unit: RMB

Category	Ending balance	Beginning balance
Trade acceptance	502,347.05	2,441,810.45
Bank acceptance bill		4,859,961.40
Total	502,347.05	7,301,771.85

The total overdue but unpaid notes payable at the period-end were RMB0.00.

(2) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Purchase of goods	237,111,166.13	219,463,023.43
Engineering equipment	106,527,421.37	134,864,245.66
Other	9,547,576.40	11,937,863.56
Total	353,186,163.90	366,265,132.65

22. Advances from Customers**(1) List of Advances from Customers**

Unit: RMB

Item	Ending balance	Beginning balance
Advances of goods	105,562,378.66	119,785,945.48
Total	105,562,378.66	119,785,945.48

23. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	316,812,093.17	1,501,921,908.10	1,492,761,856.17	325,972,145.10
II. Post-employment benefit-defined contribution plans	24,395.78	176,370,847.72	176,369,178.43	26,065.07
Total	316,836,488.95	1,678,292,755.82	1,669,131,034.60	325,998,210.17

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	267,328,134.33	1,314,788,873.29	1,313,328,308.86	268,788,698.76
2. Employee welfare		64,655,591.25	64,655,591.25	
3. Social insurance	35,231.00	81,906,432.90	81,904,371.77	37,292.13
Of which: Medical insurance premiums	28,800.70	64,893,571.93	64,892,905.94	29,466.69
Work-related injury insurance	5,065.07	8,349,100.43	8,347,874.02	6,291.48
Maternity insurance	1,365.23	8,663,760.54	8,663,591.81	1,533.96
4. Housing fund	1,293.00	13,786,192.10	13,787,485.10	
5. Labor union budget and employee education budget	49,447,434.84	26,784,818.56	19,086,099.19	57,146,154.21
Total	316,812,093.17	1,501,921,908.10	1,492,761,856.17	325,972,145.10

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits	22,636.70	169,719,455.35	169,717,072.56	25,019.49
2. Unemployment insurance	1,759.08	6,651,392.37	6,652,105.87	1,045.58
Total	24,395.78	176,370,847.72	176,369,178.43	26,065.07

Other notes:

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with 18% and 0.7% of the endowment insurance base, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant expense occurred was recorded into current profits and losses or related assets costs.

24. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	4,057,605.21	2,639,133.26
Corporate income tax	18,491,849.09	13,934,074.08
Personal income tax	1,279,197.68	1,453,967.09
Urban maintenance and construction tax	5,509,392.03	3,036,340.88
Stamp tax	187,822.50	400,579.00
Property tax	4,684,717.85	4,618,710.82
Land use tax	4,215,720.49	4,537,230.07
Education surcharge	2,381,414.25	1,314,401.95
Local education surcharge	1,587,021.34	876,267.97
Local water conservancy facility construction fund	394,952.66	217,869.46
Resource tax	154,200.00	26,516.00
Environmental protection tax	612,930.65	
Total	43,556,823.75	33,055,090.58

25. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable	3,068,841.54	1,572,231.86
Dividends payable	441,113.64	441,113.64
Other payables	212,437,032.50	127,090,009.25
Total	215,946,987.68	129,103,354.75

(1) Interest Payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable of short-term borrowings	3,068,841.54	1,572,231.86
Total	3,068,841.54	1,572,231.86

List of the significant overdue unpaid interest:

None

(2) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable to individual shareholders by the Company	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:

The dividends payable unpaid for over one year were cash dividends of previous year not received by individual shareholders yet.

(3) Other Payables

1) Other Payables Listed by Nature

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	19,035,286.49	19,600,682.80
Collecting payment on behalf of others	18,288,047.56	17,030,878.91
Intercourse funds	165,655,961.20	66,354,397.71
Other	9,457,737.25	24,104,049.83
Total	212,437,032.50	127,090,009.25

2) Significant Other Payables Aging over One Year

Unit: RMB

Item	Ending balance	Unpaid/Un-carry-over reason
Cotton and Linen Company	11,925,000.00	Received deposit of sale contract
Total	11,925,000.00	--

Other notes

26. Current Portion of Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Current portion of long-term borrowings		62,750,292.49
Total		62,750,292.49

Other notes:

27. Long-term Borrowings

(1) Category of Long-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Guaranteed borrowings	170,019,083.89	62,750,292.49
Less: current portion of long-term borrowings (Note VII-26)		-62,750,292.49
Total	170,019,083.89	

28. Long-term Payroll Payable

(1) List of Long-term Payroll Payable

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	96,958,178.53	93,843,473.02
Total	96,958,178.53	93,843,473.02

29. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidies	126,737,092.32	18,954,622.18	5,613,871.15	140,077,843.35	Government subsidies
Unrealized financing incomes		237,606.84	132,003.80	105,603.04	Finance lease
Total	126,737,092.32	19,192,229.02	5,745,874.95	140,183,446.39	--

Item involving government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Land	59,265,769.33			1,393,157.88			57,872,611.45	Related to assets
Equipment	64,626,322.95	1,240,100.00		4,075,655.44			61,790,767.51	Related to assets
Production living assets	691,000.04			132,999.96			558,000.08	Related to assets
Overseas investment	100,000.00	400,000.00					500,000.00	Related to assets
R&D	2,054,000.00	3,208,000.00					5,262,000.00	Related to income
Public housing subsidy		1,250,000.00		12,057.87			1,237,942.13	Related to assets
Subsidy for improvement and transformation of garden green land		12,856,522.18					12,856,522.18	Related to income

30. Other Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Other	1,840,000.00	1,840,000.00
Total	1,840,000.00	1,840,000.00

31. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	922,602,311.00						922,602,311.00

32. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	640,470,910.34			640,470,910.34
Other capital reserves	59,022,683.48	53.66		59,022,737.14
Total	699,493,593.82	53.66		699,493,647.48

33. Treasury Shares

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Shares of the Company re-purchased but not cancelled	0.00	486,922,944.94		486,922,944.94
Total		486,922,944.94		486,922,944.94

Other notes, including changes and reason of change:

The 15th Meeting of the 8th Board of Directors was held on 5 March 2018, on which the Proposal on Counter Purchase of Some B-shares of the Company was reviewed and approved. The counter purchase price was not higher than HKD9.90 per share. The total fund for counter purchase did not exceed RMB0.6 billion with term of one year.

34. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period					Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
II. Other comprehensive income that may subsequently be reclassified	16,810,574.22	44,433,289.15		86,850.00	44,346,439.15		61,157,013.37

to profit or loss							
Profit or loss generated from changes in fair value of available-for-sale financial assets	28,050.00	579,000.00		86,850.00	492,150.00		520,200.00
Differences arising from translation of foreign currency-denominated financial statements	16,782,524.22	43,854,289.15			43,854,289.15		60,636,813.37
Total of other comprehensive income	16,810,574.22	44,433,289.15		86,850.00	44,346,439.15		61,157,013.37

35. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	959,592,006.48	59,783,872.34		1,019,375,878.82
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	962,933,579.06	59,783,872.34		1,022,717,451.40

Notes, including changes and reason of change:

In accordance with provisions of Articles of Association and Corporate Law, the Company withdrew 10% of net profits as the statutory surplus reserves.

36. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	4,629,102,712.06	4,341,866,189.19
Beginning balance of retained earnings after adjustments	4,629,102,712.06	4,341,866,189.19
Add: Net profit attributable to owners of the Company as the parent	811,526,477.83	841,150,934.75
Less: Withdrawal of statutory surplus reserves	59,783,872.34	71,063,056.38
Dividend of ordinary shares payable	453,344,328.00	482,851,355.50
Ending retained earnings	4,927,500,989.55	4,629,102,712.06

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.

37. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same Period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	6,521,949,742.58	4,623,882,060.39	6,117,830,993.82	4,289,552,667.57
Other operations	357,109,071.35	237,561,182.56	291,393,051.15	187,495,117.11
Total	6,879,058,813.93	4,861,443,242.95	6,409,224,044.97	4,477,047,784.68

38. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same Period of last year
Urban maintenance and construction tax	33,944,678.18	29,433,844.39
Education Surcharge	15,139,056.40	12,875,631.00
Property tax	509,654.00	26,516.00
Land use tax	20,677,064.40	19,773,203.46
Vehicle and vessel usage tax	18,336,178.97	18,594,973.00
Stamp duty	119,478.40	125,398.56
Local education surcharge	3,530,606.51	3,904,063.89
Local water conservancy facility construction fund	10,091,063.11	8,583,754.04
Urban maintenance and construction tax	2,443,114.17	2,914,218.66
Environmental protection tax	2,172,732.41	
Total	106,963,626.55	96,231,603.00

Other notes:

For details of specific payment standard for each taxes and surtaxes, please refer to Note VI Taxation

39. Selling Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Salary	41,280,390.85	38,293,547.89
Transport fees	45,652,493.32	39,722,184.43
Advertising expense	14,493,972.68	16,846,415.91
Mall costs	1,849,384.70	2,188,487.89
Port surcharge	13,502,640.80	13,661,450.06
Depreciation charge	5,106,206.04	5,364,151.04
Sales service charge	12,086,904.35	3,439,035.08
Business travel charges	3,965,930.06	5,101,239.69
Express fee	3,395,253.39	1,679,556.11
Premium	1,752,795.53	1,774,967.94
Other	15,020,212.02	15,990,744.35
Total	158,106,183.74	144,061,780.39

Other notes:

40. Administrative Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Salary	150,178,467.11	107,277,843.02
Depreciation charge	28,922,673.45	24,973,816.12
Warehouse funding	31,869,397.11	27,431,827.37
Travel expense	23,001,296.54	26,081,106.36
Rental charges	14,398,948.38	14,440,878.80
Labor-union expenditure	15,600,583.68	15,289,305.43
Employee education budget	11,186,186.88	10,872,970.81
Amortization of intangible assets	12,954,322.84	11,112,088.24
Transport fees	10,436,445.11	10,015,673.62
Office expense	8,060,077.81	7,878,754.56
Other	84,303,364.36	67,752,714.32
Total	390,911,763.27	323,126,978.65

41. R&D Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Salary	135,380,494.55	167,270,119.29
Materials	119,832,589.83	135,510,566.11
Depreciation	10,069,125.27	10,971,936.72
Other	24,112,882.93	14,651,368.17
Total	289,395,092.58	328,403,990.29

42. Finance Costs

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest expense	57,300,653.51	23,753,894.13
Less: Interest income	17,925,826.14	7,488,918.00
Less: Amount of capitalized interest		
Foreign exchange gains or losses	2,055,009.44	39,937,734.42
Other	7,349,843.50	7,139,960.76
Total	48,779,680.31	63,342,671.31

43. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same Period of last year
I. Bad debt loss	2,283,637.20	2,579,033.02
II. Inventory falling price loss	41,995,150.04	25,220,325.43
VII. Losses on depreciation of fixed assets	13,249,549.80	9,531,315.79
Total	57,528,337.04	37,330,674.24

44. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government subsidies	60,846,383.76	58,099,783.92
Total	60,846,383.76	58,099,783.92

45. Investment Income

Unit: RMB

Item	Reporting Period	Same Period of last year
Long-term equity investment income accounted by equity method	-1,518,268.37	-2,463,267.98
Investment income from disposal of financial assets at fair value through profit or loss	-64,824,373.70	4,794,598.32
Investment income from financial products	6,069,367.03	
Total	-60,273,275.04	2,331,330.34

Other notes:

46. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Financial liabilities at fair value through profit or loss	-4,877,600.00	
Total	-4,877,600.00	

Other notes:

47. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Fixed asset disposal income	4,525,108.75	1,242,000.54
Intangible asset disposal income	3,301,874.63	
Total	7,826,983.38	1,242,000.54

48. Non-operating Income

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Government subsidies	290,000.00	1,030,000.00	290,000.00
Other	10,362,238.56	11,092,767.09	10,362,238.56
Total	10,652,238.56	12,122,767.09	10,652,238.56

49. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same Period of last year	Amount recorded in the current non-recurring profit or loss
Donations	1,123,744.69	5,004,075.00	1,123,744.69
Losses from damage and scrap of non-current assets	3,020,637.43	2,568,738.39	3,020,637.43
Other	6,454,472.53	1,449,912.25	6,454,472.53
Total	10,598,854.65	9,022,725.64	10,598,854.65

50. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same Period of last year
Current income tax expense	100,214,613.83	132,080,828.42
Deferred income tax expense	11,098,577.57	-10,948,219.36
Total	111,313,191.40	121,132,609.06

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

Unit: RMB

Item	Reporting Period
Profit before taxation	969,506,763.50
Current income tax expense accounted at statutory/applicable tax rate	145,426,014.53
Influence of applying different tax rates by subsidiaries	-6,004,653.24
Influence of income tax before adjustment	491,153.57
Influence of non-taxable income	-8,168,646.62
Influence of not deductible costs, expenses and losses	4,843,108.96
Influence of deductible losses of unrecognized deferred income tax assets at the beginning of the Reporting Period	-1,086,891.47
Influence of expense deduction	-24,186,894.34
Income tax expense	111,313,191.40

51. Other Comprehensive Income

Refer to Note VII-34 for details.

52. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Government subsidies	77,020,849.15	96,833,623.45
Claim income	3,936,691.83	1,292,703.23
Recovery of employee borrowings, petty cash and deposit	13,896,229.53	24,879,575.61
Collection for employees	7,574,231.79	5,363,500.00
Other	7,992,121.11	8,762,550.14
Total	110,420,123.41	137,131,952.43

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Freight and miscellaneous charges	62,091,418.60	59,083,362.18
Rental charges	20,722,534.75	18,504,054.24
Advertising expense	1,460,237.64	4,890,771.45
Business travel charges	28,898,308.10	29,550,544.27
Insurance	4,892,563.92	5,350,729.67
Audit advisory announcement fee	7,092,869.11	4,519,003.71
Decoration & repair expenses	7,474,700.27	9,540,186.72
Donation	1,123,744.69	5,004,075.00
Pre-payment	17,052,070.00	10,793,990.64
Payment of employee borrowings, petty cash and deposit	27,292,704.63	28,801,006.36
Other	74,876,384.98	81,125,466.24
Total	252,977,536.69	257,163,190.48

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Interest income	17,685,395.06	6,894,588.05
Income from forward foreign exchange	8,376,097.80	4,858,596.97
Sale of securities		63,962,133.03

Cash deposit of L/C for purchasing equipment	1,200,000.00	
Option cost	11,200.00	91,000.00
Total	27,272,692.86	75,806,318.05

(4) Cash Used in Other Investing Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
forward settlement exchange loss	73,302,671.50	63,998.65
Payment of deposit for the L/C of equipment purchase	295,288.20	1,200,000.00
Total	73,597,959.70	1,263,998.65

Notes:

(5) Cash Generated from Other Financing Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Return of loan guarantees	16,000,000.00	8,000,000.00
Recovery of intercourse accounts	78,300,000.00	191,980,000.00
Total	94,300,000.00	199,980,000.00

Notes:

(6) Cash Used in Other Financing Activities

Unit: RMB

Item	Reporting Period	Same Period of last year
Payment of the B-share buy-back amount	498,538,235.01	
Certificate of deposit pledged	10,000,000.00	16,000,000.00
Payment for intercourse accounts	16,449,300.16	139,000,000.00
Cash consideration paid for business combination under the same control		23,430,428.00
Total	524,987,535.17	178,430,428.00

Notes:

53. Supplemental Information for Cash Flow Statement**(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	858,193,572.10	883,319,109.60
Add: Provision for impairment of assets	57,528,337.04	37,330,674.24
Depreciation of fixed assets, oil-gas assets, and productive living assets	420,110,878.01	384,151,246.71
Amortization of intangible assets	19,107,405.53	16,622,633.32
Amortization of long-term prepaid expenses	4,107,499.91	3,537,929.74
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-23,691,064.85	-1,242,000.54
Losses from scrap of fixed assets (gains: negative)	3,020,637.43	2,568,738.39
Losses from changes in fair value (gains: negative)	4,877,600.00	
Finance costs (gains: negative)	43,973,551.17	63,104,510.55
Investment loss (gains: negative)	60,273,275.04	-2,331,330.34
Decrease in deferred income tax assets (gains: negative)	-13,939,769.35	-11,507,078.95
Increase in deferred income tax liabilities ("-" means decrease)	25,125,196.92	558,859.59
Decrease in inventory (gains: negative)	-6,771,906.97	-270,382,003.89
Decrease in accounts receivable generated from operating activities (gains: negative)	-87,641,526.60	-63,289,943.78
Increase in accounts payable used in operating activities (decrease: negative)	66,067,977.78	28,069,308.79
Net cash generated from/used in operating activities	1,430,341,663.16	1,070,510,653.43
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Net increase/decrease of cash and cash equivalent:	--	--
Ending balance of cash	535,134,772.90	676,639,212.86
Less: beginning balance of cash	676,639,212.86	659,116,137.67
Net increase in cash and cash equivalents	-141,504,439.96	17,523,075.19

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	535,134,772.90	676,639,212.86
Including: Cash on hand	9,087,924.86	8,040,420.28

Bank deposit on demand	526,046,848.04	668,598,792.58
III. Ending balance of cash and cash equivalents	535,134,772.90	676,639,212.86

Other notes:

54. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	10,367,936.46	Pledged for short-term borrowings, as cash deposit for L/G and L/C
Inventory	270,068,760.00	Mortgaged for short-term borrowings
Fixed assets	54,356,312.70	Mortgaged for short-term borrowings
Intangible assets	107,288,609.62	Mortgaged for short-term borrowings
Total	442,081,618.78	--

Other notes:

55. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital	--	--	
Of which: USD	23,669,536.16	6.8632	162,448,760.57
EUR	48,938.81	7.8473	384,034.11
HKD	14,769,878.16	0.8762	12,941,367.25
JPY	22,321,139.00	0.0619	1,381,678.51
GBP	8,140.26	8.6762	70,626.53
CHF	46,040.93	6.9494	319,956.84
Dong	127,005,803,716.75	0.000295	37,466,712.10
MMK	250,055,904.64	0.00439	1,097,745.42
Notes receivable			
Of which: USD	14,926,262.51	6.8632	102,441,924.87
Accounts receivable	--	--	
Of which: USD	41,431,206.26	6.8632	284,350,654.80
EUR			
HKD	20,123,741.12	0.8762	17,632,421.97
Dong	15,851,339,679.00	0.000295	4,676,145.21

Other receivables			
Of which: USD	87,654.31	6.8632	601,589.06
JPY	1,595,040.00	0.0619	98,732.98
Dong	3,302,631,511.00	0.000295	974,276.30
GBP	1,500.00	8.6762	13,014.30
Accounts payable			
Of which: USD	3,086,275.16	6.8632	21,181,723.67
JPY	76,050,920.00	0.0619	4,707,551.95
EUR	191,497.98	7.8473	1,502,742.11
CHF	482,250.00	6.9494	3,351,348.15
Dong	28,499,554,747.22	0.000295	8,407,368.65
Other payables			
Of which: USD	204,867.00	6.8632	1,406,043.20
HKD	28,000.00	0.8762	24,533.60
Dong	651,734,092.00	0.000295	192,261.56
Short-term borrowings			
Of which: USD	97,044,473.48	6.8632	666,035,630.41
Dong	82,163,219,117.00	0.000295	24,238,149.64
Long-term borrowings	--	--	
Of which: USD	24,772,567.30	6.8632	170,019,083.89

(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 Company's subsidiaries Lu Thai(Hong Kong), Lu Thai(Cambodia), Lu Thai(Burma), Lu Thai(America), and Lu Thai(Vietnam), and Lu An Garment Co., Ltd. were Hong Kong, Cambodia, Burma, America, Vietnam and Vietnam, and the recording currency respectively was HKD, USD, USD, USD, Dong and Dong.

56. Government Subsidy

(1) Basic Information on Government Subsidy

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Award for technical center	2,000,000.00	Other income	2,000,000.00

Subsidy for leading talent of Mount Tai industry	900,000.00	Other income	900,000.00
Subsidy fund for key project of innovation and development in Zibo City	600,000.00	Deferred income	
Fund for development and research project of high quality dope dyeing fiber	400,000.00	Other income	400,000.00
2017-2019 award for excellent performance project	290,000.00	Non-operating income	290,000.00
Subsidy for application technology development and demonstration of high quality dope dyeing fiber	203,000.00	Deferred income	
Government subsidy for gifted and talented persons in Zibo	200,000.00	Other income	200,000.00
Subsidy for export credit insurance premium	557,400.00	Other income	557,400.00
2018 subsidy for municipal-level patent	140,000.00	Other income	140,000.00
Subsidy for dyeing waste water liquid membrane separation and comprehensive upgrading and reconstruction of waste water station	117,200.00	Other income	117,200.00
Subsidy for three-dimensional marketing system design and marketing value chain distribution and consultation project	110,000.00	Other income	110,000.00
Subsidy for development and industrial application of pure cotton non-ironing digital ink jet printing fabrics	100,000.00	Other income	100,000.00
Subsidy for foreign expert project	100,000.00	Other income	100,000.00
Export bounty of leading enterprise	150,000.00	Other income	150,000.00
Subsidy for international market development project	30,000.00	Other income	30,000.00
Subsidy for international qualification certification	22,000.00	Other income	22,000.00
Subsidy for support of gifted and talented persons	20,000.00	Other income	20,000.00
Subsidy for textile and garments industrial exhibition	14,200.00	Other income	14,200.00
Subsidy for fabrics/accessories exhibition	12,000.00	Other income	12,000.00
2017 award for science and technology education of "light of textile"	10,000.00	Other income	10,000.00
Return of service charge for withholding and remitting tax	610,075.60	Other income	610,075.60
Subsidy for Key Technology R & D of textile equipment with good shape preservation	1,215,000.00	Deferred income	
Subsidy for key technology R & D of preparation of comfortable and cool fabric with function of moisture absorption	490,000.00	Deferred income	
Subsidy for research & development and promotion application project of key technology and processing technology of high shape-preserving cotton fabric	700,000.00	Deferred income	
Government subsidy for Lu Thai (Vietnam) investment project	200,000.00	Deferred income	
Subsidy for purchase of technical transformation equipment	417,500.00	Deferred income	

Subsidy for Lu An Garments investment project	200,000.00	Deferred income	
Subsidy fund for Xiqu Beiyuan public rental house	1,250,000.00	Deferred income	
Subsidy for garden green land promotion and transformation	12,856,522.18	Deferred income	
Subsidy for informatization planning project	240,000.00	Other income	240,000.00
Subsidy for promoting TBS Toyota production system	150,000.00	Other income	150,000.00
Subsidy for material classification coding and standard management improvement project	10,000.00	Other income	10,000.00
Subsidy for production and integration system of fabric industry	350,000.00	Other income	350,000.00
Subsidy for energy optimization of fabric finishing process thermal energy system	785,700.00	Other income	785,700.00
Subsidy for country-level industrial design center	2,000,000.00	Other income	2,000,000.00
Subsidy for research and industrialization of pure cotton energy conservation cool non-ironing garments	500,000.00	Other income	500,000.00
Subsidy for enterprise broadcasting in CCTV	700,000.00	Other income	700,000.00
Subsidy for new industry format of foreign trade	10,600.00	Other income	10,600.00
Subsidy for international market development project	23,200.00	Other income	23,200.00
Subsidy for Textile Asia	5,400.00	Other income	5,400.00
Subsidy fund for Texworld	40,000.00	Other income	40,000.00
Subsidy fund for SaigonTex	21,300.00	Other income	21,300.00
Subsidy for international self-owned brand cultivation	1,700,000.00	Other income	1,700,000.00
Subsidy for service trade development project	10,000.00	Other income	10,000.00
Special subsidy for improving management level of enterprise	304,450.00	Other income	304,450.00
2016 subsidies for transferring Xinjiang cotton to warehouses out of Xinjiang	464,400.00	Other income	464,400.00
2016 matching subsidy fund for gifted and talented persons	200,000.00	Other income	200,000.00
2017 matching subsidy fund for gifted and talented persons	200,000.00	Other income	200,000.00
Matching subsidy fund for leading persons of Mount Tai industry	500,000.00	Other income	500,000.00
Science and technology award in Shandong Province	100,000.00	Other income	100,000.00
Award of Zibo "Qilu Cup" Industrial Design Competition	30,000.00	Other income	30,000.00
Social insurance, post subsidy for employing people with job hunting difficulties	1,042,819.75	Other income	1,042,819.75
2016 subsidy fund for outstanding enterprises in energy conservation evaluation in Zibo City	300,000.00	Other income	300,000.00
2017 special subsidy for municipal-level patent development	2,000.00	Other income	2,000.00
Subsidy for the reconstruction of landscape	6,970,977.82	Other income	6,970,977.82
Subsidy for stabilizing posts	3,755,585.00	Other income	3,755,585.00

Subsidy for dynamic monitoring unemployment	1,200.00	Other income	1,200.00
2018 award for science and technology innovation	300,000.00	Other income	300,000.00
2018 post subsidy for enterprise	5,551,940.00	Other income	5,551,940.00
2018 social insurance subsidy for enterprise	2,846,960.47	Other income	2,846,960.47
2018 subsidy for setting up station of Shandong Technician Workstation	100,000.00	Other income	100,000.00
2018 capital subsidy for province-level international market development	26,000.00	Other income	26,000.00
2018 award for water-saving enterprise in Shandong Province	3,000.00	Other income	3,000.00
Sludge subsidy	5,503,600.00	Other income	5,503,600.00
Award fund for water-saving enterprise	3,000.00	Other income	3,000.00
Social insurance subsidy	1,785,737.88	Other income	1,785,737.88
Electricity fee subsidy	2,030,064.06	Other income	2,030,064.06
Subsidies for transferring Xinjiang cotton yarn to warehouses out of Xinjiang	7,194,091.44	Other income	7,194,091.44
Government subsidy for pre-job training	835,290.56	Other income	835,290.56
Subsidy for green high-yield and high-efficiency project of cotton	500,000.00	Other income	500,000.00
Special fund subsidy for agriculture industrialization development	600,000.00	Other income	600,000.00
Subsidy for internship of college graduates	300,000.00	Other income	300,000.00
Subsidy for house settlement fee, moving fee in Awat County	1,617,000.95	Other income	1,617,000.95
2017 social insurance subsidy	117,997.56	Other income	117,997.56
Loan with discounted interest	2,543,714.36	Finance costs	2,543,714.36
Subsidy for investment of technical transformation equipment	822,600.00	Deferred income	
Subsidy for people with job hunting difficulties	7,321.52	Other income	7,321.52

(2) Return of Government Subsidy

☐ Applicable ☒ Not applicable

VIII. Changes of Consolidation Scope

1. Other

The subsidiary cancelled in the Reporting Period is Beijing Sichuang Clothing Co.,Ltd. The subsidiary established in the Reporting Period is Shanghai Zhinuo Textile New Materials Co., Ltd.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Xinjiang Luthai	Xinjiang	Xinjiang	Manufacturing industry	59.92%		Business combination not under the same control
Lufeng Weaving & Dyeing	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Xinjiang Textile (sub-subsidiary)	Xinjiang	Xinjiang	Manufacturing industry		59.92%	Set-up
Helijie (sub-subsidiary)	Zibo	Zibo	Service		100.00%	Business combination not under the same control
Chengshun Heating (sub-subsidiary)	Zibo	Zibo	Manufacturing industry		100.00%	Business combination under the same control
Beijing Youxian	Beijing	Beijing	Wholesale and retail industry	90.00%		Set-up
Shanghai Zhinuo	Shanghai	Shanghai	Technology development, technical consultancy and transfer of technologies	100.00%		Set-up
Lu Thai (Cambodia)	Cambodia	Cambodia	Manufacturing industry	100.00%		Set-up
Lu Thai (Burma)	Burma	Burma	Manufacturing	100.00%		Set-up

			industry			
Lu Thai (America)	America	America	Wholesale and retail industry	100.00%		Set-up
Lu Thai (Vietnam)	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up
Lu An Garments	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Xinjiang Luthai	40.08%	16,216,794.15	12,023,566.38	200,636,304.75
Lufeng Weaving & Dyeing	25.00%	30,357,729.74		378,029,637.88

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Xinjiang Luthai	577,801,870.44	569,395,421.71	1,147,197,292.15	628,672,392.36	4,814,373.04	633,486,765.40	533,910,300.91	552,920,939.85	1,086,831,240.76	593,505,546.28	4,950,675.96	598,456,222.24
Lufeng Weaving & Dyeing	908,054,381.50	820,360,513.63	1,728,414,895.13	176,914,108.80	33,049,234.56	209,963,343.36	756,065,670.02	841,883,193.85	1,597,948,863.87	168,738,484.34	29,616,032.10	198,354,516.44

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Xinjiang Luthai	708,959,464.82	32,871,893.83	32,871,893.83	196,160,759.22	477,021,975.57	47,297,093.41	47,297,093.41	-18,512,573.30
Lufeng Weaving & Dyeing	1,780,246,459.14	118,857,204.34	118,857,204.34	179,357,371.51	1,664,817,659.70	104,083,484.23	104,083,484.23	140,455,230.55

Other notes:

2. Equity in Joint Ventures or Associated Enterprises

(1) Significant Joint Ventures or Associated Enterprises

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	
Haohong Investment	Ningbo	Ningbo	Equity investment	33.33%		Equity method

Notes to holding proportion of joint venture or associated enterprise different from voting proportion: none

Basis of holding less than 20% of the voting rights but has a significant impact or holding 20% or more voting rights but does not have a significant impact: none

(2) Main Financial Information of Significant Joint Ventures

Unit: RMB

	Ending balance/Reporting Period	Beginning balance/The same period of last year
Current assets	100,703,096.38	128,880,401.95
Non-current assets	187,501,100.00	163,879,055.06
Total assets	288,204,196.38	292,759,457.01
Current liabilities	150,000.00	150,000.00
Total liabilities	150,000.00	150,000.00
Equity attributable to shareholders of the Company as the parent	288,054,196.38	292,609,457.01

Net assets shares calculated at the shareholding proportion	96,018,463.65	97,536,732.02
Carrying value of investment to associated enterprises	96,018,463.65	97,536,732.02
Net profit	-4,555,260.63	-7,390,542.99
Total comprehensive income	-4,555,260.63	-7,390,542.99

Other notes

X. The Risk Related to Financial Instruments

Main financial instruments of the Company included: Loans, accounts receivable, accounts payable, etc., all the details of the financial instruments, see related projects of “Section VII”. The risk associated with these financial instruments, as well as the Company’s risk management policy to reduce these risks which were described below. The Company’s management managed and supervised these risks to ensure that the above risk was controlled in a limited scope.

The Company use sensitivity analysis technology to analyze the reasonable of risk variables, influence of probable changes to the current profits and Stockholders' equity. Because rarely any risk variables change in isolation, and the correlation between variables for the eventual impact of the change of a risk variables will have a significant effect, thus, the aforesaid content was processing under the assumption of the change of each variable was conducted independently.

(I) Risk management objectives and policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors. Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market Risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The Company’s foreign exchange risk was mainly related to USD, HKD and EUR, excepting the Company’s several subsidiaries purchase and sale, in USD, HKD and Dong, the other main business settled by RMB. On 30 December 2018, in addition to the following assets or liabilities in statement was USD, HKD and EUR, the Company’s assets or liabilities was RMB balance. The foreign exchange risk incurred by assets and liabilities of foreign balance may have impact to the operation results of the Company.

Item	Period-end	Period-beginning
Cash and cash equivalents	216,061,990.69	556,296,995.92
Notes receivable	102,441,924.87	110,349,828.81
Account receivable	306,659,681.14	252,210,660.04
Other receivables	1,687,612.64	6,010,153.41
Accounts payable	39,150,734.53	44,343,006.71
Other payables	1,622,838.36	4,566,032.47
Short-term borrowings	690,273,780.05	695,124,996.40
Current portion of long-term borrowings		62,750,292.49
Long-term borrowings	170,019,083.89	

Foreign exchange risk sensitivity analysis:

Based on the monetary assets and liabilities of foreign currency at the end of the year, and with other variables unchanged, the pre-tax impact of reasonable changes in the exchange rate on current profit and loss and shareholders' equity is as follows:

Change in interest rate	Reporting Period		Same period of last year	
	Influence on the profits	Influence on equity of shareholders	Influence on the profits	Influence on equity of shareholders
Up 10% against RMB	30,624,611.46	30,624,611.46	-5,234,092.49	-5,234,092.49
Down 10% against RMB	-30,624,611.46	-30,624,611.46	5,234,092.49	5,234,092.49

(2) Interest rate risk

The risk of cash flow changes of financial instruments due to change of interest rate mainly was related bank loan (for details, refer to Note VII-22 and 33).

Sensitive analysis of interest rate risk:

Influence of interest increasing 100 BP to current profits and losses and equity of shareholders before tax was followed:

Change in interest rate	Reporting Period		Same period of last year	
	Influence on the profits	Influence on equity of shareholders	Influence on the profits	Influence on equity of shareholders
Increase 100 BP	-16,014,828.88	-14,083,265.20	-11,312,164.38	-10,086,733.25
Decrease 100 BP	16,014,828.88	14,083,265.20	11,312,164.38	10,086,733.25

2. Credit Risk

On 30 December 2018, maximum credit risk what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company's financial assets, which including: book value of financial assets recognized in consolidated balance sheet.

In order to reduce the credit risk, the Company established a special team be responsible for the determination of credit limit to conduct credit approval, and perform other supervising procedures to ensure that taking necessary measures to recycle expired claims. In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

The Company's working capital was in bank with higher credit rating, so credit risk of working capital was low.

3. Liquidity Risk

When manage liquidity risk, the Company keep administrators deemed sufficient cash and cash equivalents and supervised it to meet the need of the operation of the Company and reduce the influence of cash flow volatility. The Company management supervised the usage of bank loan and ensured to comply with the loan agreement.

In the end of Reporting Period, the Company held cash and bank deposit of RMB535 million. In recent two years, the average of net cash flow of operation activities was RMB1.25 billion. The Company believed that the liquidity risk was insignificant.

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending 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	--	--	--	--
(II) Available-for-sale financial assets		60,612,000.00		60,612,000.00
(1) Debt instrument investment		60,612,000.00		60,612,000.00
The total amount of assets consistently measured at fair value		60,612,000.00		60,612,000.00
(5) Trading financial liabilities	4,877,600.00			4,877,600.00
Derivative financial liabilities	4,877,600.00			4,877,600.00
The total amount of liabilities consistently measured at fair value	4,877,600.00			4,877,600.00

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The fair value of financial liabilities at level 1 was determined in accordance with the quotation of future foreign exchange of the bank on 30 December 2018.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

For the fund investment without active markets in available-for-sale financial assets, the fair value was determined in accordance with the evaluation on the balance sheet date provided by the asset manager.

XII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Zibo Lucheng Textile Investment Co., Ltd.	Zibo	Textile, chemistry and investment	RMB63,260,000	15.21%	15.21%

Notes: information on the Company as the parent

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

2. Subsidiaries of the Company

Refer to Note IX-1. Equity in Subsidiaries.

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

Refer to Note VIII-2. Equity in Joint Ventures or Associated Enterprises for details of significant joint ventures or associated enterprises of the Company.

4. Information on Other Related Parties

Name	Relationship with the Company
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Joint-stock company of the Company as the parent
Zibo Taimei Ties Co., Ltd. (hereinafter called Taimei Ties)	Majority-owned subsidiary of the Company as the parent
Zibo Limin Purified Water Co., Ltd. (hereinafter called Limin Purified Water)	Wholly-owned subsidiary of the Company as the parent
Zibo Luqun Land Co., Ltd (hereinafter called Luqun Land)	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as Lurui Chemical)	Majority-owned subsidiary of the Company as the parent
Zibo Lujia Property Management Co., Ltd. (hereinafter referred to as Lujia Property)	Wholly-owned subsidiary of the Company as the parent
Hong Kong Tung Hoi International Company Limited (hereinafter called Tung Hoi International)	Wholly-owned subsidiary of the Company as the parent
Shandong Chengshun Petrochemical Co., Ltd. (hereinafter referred to as Chengshun Petrochemical)	Wholly-owned subsidiary of the Company as the parent

Other notes: none

5. List of Connected Transactions

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

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Towels, socks, oils, supermarket retail, welfare, electronics, computer equipment, computer supplies, paper cores, etc.	13,489,689.69	23,116,700.00	No	13,051,075.96
Taimei Ties	Goods processing fee, materials	3,415.03		No	1,072,762.83

Limin Purified Water	Recycled water, sewage treatment, materials	24,915,630.44	35,388,000.00	No	23,742,561.84
Chengshun Petrochemical	Gas	36,438,292.48	54,000,000.00	No	19,719,905.39
Lurui Fine Chemical	Auxiliaries	100,403,329.00	136,000,000.00	No	91,452,731.48
Stanluian	Materials	6,344.03		No	

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
Lucheng Textile	Sales of materials, electricity, running water, draught water, gas etc.	125,194.09	244,822.05
Lucheng Textile	Sales of grey yarn, dyed yarn, garment etc.	324,500.22	560,701.89
Taimei Ties	Sales of electricity, heating charges		17,715.81
Stanluian Company	Sales of materials, electricity, and running water	6,926.79	52,431.80
Limin Purified Water	Sales of materials, garment, electricity etc.	1,096,870.07	71,473.11
Lurui Fine Chemical	Sales of garment, shell fabric, yarn, water&electricity, lunch components and materials	241,453.88	442,833.05
Lujia Property	Sales of materials and recycled water	60,753.33	68,442.42

(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 Reporting Period	The lease income confirmed in the same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Houses and buildings	48,965.14	30,857.15
Lurui Fine Chemical	Houses and buildings	8,183.64	8,183.64

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in the Reporting Period	The lease fee confirmed in the same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land	3,614,857.20	3,614,857.20
Zibo Lucheng Textile	Rent of gas station	501,714.24	501,714.24

Investment Co., Ltd.			
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land and buildings	11,259,371.47	11,460,190.52
Luqun Property	Rent of land and buildings	1,394,285.64	1,394,285.64

(3) Information on Inter-bank Lending of Capital of Related Parties

Unit: RMB

Related party	Amount	Start date	End date	Note
Borrowing				
Zibo Lucheng Textile Investment Co., Ltd.	137,520,000.00	2 August 2017	31 December 2018	Borrowed by the Company's subsidiaries Xinsheng Power and Chengshun Heating
Lujia Property	600,000.00	30 March 2017	31 December 2018	Borrowed by the Company's subsidiary Chengshun Heating
Stanluian Company	1,450,000.00	17 August 2017	31 December 2018	Borrowed by the Company's subsidiary Chengshun Heating
Taimei Ties	1,300,000.00	31 March 2017	31 December 2018	Borrowed by the Company's subsidiary Chengshun Heating

(4) Information on Remuneration for Key Management Personnel

Unit: RMB

Item	Reporting period	Same period of last year
Remuneration for key management personnel	23,527,100.00	21,881,300.00

6. Accounts Receivable and Payable of Related Party

(1) Accounts Payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Other payables	Zibo Lucheng Textile Investment Co., Ltd.	127,139,981.30	60,456,317.14
Other payables	Lujia Property	646,472.50	620,010.00
Other payables	Stanluian Company	1,537,779.37	1,473,828.33
Other payables	Taimei Ties	1,420,277.49	1,362,942.08

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on Balance Sheet Date

Capital commitments

Item	Ending balance (RMB'0,000)	Beginning balance (RMB'0,000)
Commitments signed but hasn't been recognized in financial statements		
-- Commitment on constructing and purchasing long-lived assets	4,528.59	6,364.72
Total	4,528.59	6,364.72

2. Contingency

(1) Significant Contingency on Balance Sheet Date

As of 31 December 2018, there was no significant contingency for the Company to disclose.

(2) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company to disclose.

XIV. Events after Balance Sheet Date

1. Profit Distribution

Unit: RMB

Profits or dividends to be distributed	429,060,770.50
Profits or dividends announced to be distributed after the approval	429,060,770.50

2. Notes to Other Events after Balance Sheet Date

Influence of implementation of new accounting standards since 1 January 2019

The Ministry of Finance issued the following standards on 31 March 2017: Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments (revised in 2017) (CK [2017] No.7), Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets (revised in 2017) (CK [2017] No.8), Accounting Standards for Business Enterprises No.24-Hedge Accounting (revised in 2017) (CK [2017] No.9), and issued the Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017) (CK [2017] No. 14) on 2 May 2017 (the above standards were referred to as "new financial instrument standards" collectively hereafter) and required all domestically listed companies to

implement since 1 January 2019. Approved by the 24th Meeting of the 8th Board of Directors held on 27 March 2019, the Company will carry out the aforesaid new financial instrument standards since 1 January 2019 and made changes in relevant accounting policies pursuant to above new financial instrument standards.

Accounting policy changes mainly involve the following:

Under new Financial Instruments Standards, all recognized financial assets are subsequently measured at amortized cost or fair value. On the date of implementation of new financial instrument standards, the business model of managing financial assets is evaluated on the basis of the existing facts and circumstances of the Company on the same date, the characteristics of contractual cash flow on financial assets are evaluated on the basis of facts and circumstances at the time of initial recognition of the financial assets, and financial assets are classified into three categories: measured at amortized cost, measured at fair value with changes included in other comprehensive income, measured at fair value with changes included in profits and losses. For equity instrument investments measured at fair value with changes included in other comprehensive income, when the recognition of the financial asset is terminated, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained income, and not included in the current profits and losses.

Under new financial instrument standards, the Company makes provisions for impairment and recognition of credit impairment losses, based on the expected credit loss, for financial assets measured at amortized cost, investment in debt instruments measured at fair value with changes included in other comprehensive income, lease receivables, contractual assets and financial guarantee contracts.

XV. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Notes Receivable and Accounts Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	91,555,248.34	93,244,480.81
Accounts receivable	316,225,973.28	305,903,590.98
Total	407,781,221.62	399,148,071.79

(1) Notes Receivable

1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	28,101,500.00	10,051,004.05
L/C	63,453,748.34	83,193,476.76
Total	91,555,248.34	93,244,480.81

2) Notes Receivable Endorsed by the Company or Discounted and not due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Derecognized Amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill	122,902,178.11	
Total	122,902,178.11	

(2) Accounts Receivable

1) Accounts Receivable Classified by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28	322,076,206.04	100.00%	16,172,615.06	5.02%	305,903,590.98
Total	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28	322,076,206.04	100.00%	16,172,615.06	5.02%	305,903,590.98

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB

Aging	Ending balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subtotal within 1 year	332,019,229.97	16,600,961.50	5.00%
1 to 2 years	601,819.84	60,181.99	10.00%
2 to 3 years	332,583.69	66,516.73	20.00%
Total	332,953,633.50	16,727,660.22	5.02%

Notes:

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB597,757.68; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

597,757.68

Significant amount of reversed or recovered bad debt provision: none

3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Accounts receivable actually verified	42,712.52

Of which: significant actual verification of accounts receivable: none

Notes to verification of accounts receivable: none

4) Top5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

The total top5 of the ending balance of the accounts receivable collected according to arrears party during the Reporting Period was RMB83,283,235.83 accounting for 25.01% of total ending balance of accounts receivable. The total ending balance of bad debt provision withdrawn was RMB4,164,161.79.

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable		220,590.38
Other receivables	395,847,213.77	519,788,239.57
Total	395,847,213.77	520,008,829.95

(1) Interest Receivable

1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Fix time deposit		220,590.38
Total		220,590.38

(2) Other Receivables

1) Other Receivables Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	358,031,837.54	89.82%			358,031,837.54	486,974,195.33	93.16%			486,974,195.33
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	40,576,264.00	10.18%	2,760,887.77	6.80%	37,815,376.23	35,729,408.00	6.84%	2,915,363.76	8.16%	32,814,044.24
Total	398,608,101.54	100.00%	2,760,887.77	0.69%	395,847,213.77	522,703,603.33	100.00%	2,915,363.76	0.56%	519,788,239.57

Other receivables with significant single amount for which bad debt provision separately accrued at the end of the period

√ Applicable □ Not applicable

Unit: RMB

Other receivables (by unit)	Ending balance			
	Other receivables	Bad debt provision	Withdrawal proportion	Withdrawal reason
Lu Thai (Vietnam)	280,680,488.53			no impairment for the individual test
Lu An Garments	77,351,349.01			no impairment for the individual test
Total	358,031,837.54		--	--

Among these groups, other receivables adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Ending balance		
	Other receivables	Bad debt provision	Withdrawal proportion
Subtotal of within 1 year	35,844,751.49	1,792,237.58	5.00%
1 to 2 years	2,067,517.79	206,751.78	10.00%
2 to 3 years	373,000.00	74,600.00	20.00%
Over 3 years	2,290,994.72	687,298.42	30.00%

Total	40,576,264.00	2,760,887.77	6.80%
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Notes:

Among these groups, other receivables adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

Among these groups, other receivables adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

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

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB-154,475.99; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Significant amount of reversed or recovered bad debt provision: none

3) Other Receivables Classified by Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	358,031,837.54	486,974,195.33
Export rebates	22,505,284.46	16,370,989.66
Payment on behalf	13,005,358.64	14,593,482.76
Guarantee deposit and cash deposit	3,221,373.64	2,532,658.50
Borrowings and petty cash	1,774,825.33	1,044,226.03
Other	69,421.93	1,188,051.05
Total	398,608,101.54	522,703,603.33

4) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
Lu Thai (Vietnam)	Intercourse funds	280,680,488.53	Within 1 year	70.41%	14,034,024.43
Lu An Garments	Intercourse funds	77,351,349.01	Within 1 year	19.41%	3,867,567.45
Refund of tax for export receivable	Export rebates	22,505,284.46	Within 1 year	5.65%	1,125,264.22
Accounts receivable of advance money for the social security undertake by the individual of the employee	Advance money for the social security undertake by the individual of the employee	5,536,517.43	Within 1 year	1.39%	276,825.87
Advances of heating charge	Advances	2,043,220.77	Within 1 year	0.51%	102,161.04

Total	--	388,116,860.20	--	97.37%	19,405,843.01
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3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	2,069,693,116.04		2,069,693,116.04	1,744,156,616.04	25,200,000.00	1,718,956,616.04
Investment to joint ventures and associated enterprises	96,018,463.65		96,018,463.65	97,536,732.02		97,536,732.02
Total	2,165,711,579.69		2,165,711,579.69	1,841,693,348.06	25,200,000.00	1,816,493,348.06

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Beijing Innovative	25,200,000.00		25,200,000.00			
Xinjiang Luthai	147,303,034.16			147,303,034.16		
Xinsheng Power	176,340,737.93			176,340,737.93		
Lufeng Weaving & Dyeing	529,620,000.00			529,620,000.00		
Luqun Textile	171,784,550.00			171,784,550.00		
Luthai (Hong Kong)	128,771,800.00			128,771,800.00		
Shanghai Luthai	20,000,000.00			20,000,000.00		
Lu Thai (Cambodia)	108,242,335.38			108,242,335.38		
Lu Thai (America)	10,209,050.00			10,209,050.00		
Lu Thai(Burma)	62,337,238.57			62,337,238.57		
Beijing Youxian	13,500,000.00	4,500,000.00		18,000,000.00		
Lu Thai (Vietnam)	318,034,810.00	314,820,500.00		632,855,310.00		
Lu An Garments	32,813,060.00	31,416,000.00		64,229,060.00		
Total	1,744,156,616.04	350,736,500.00	25,200,000.00	2,069,693,116.04		

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserve
		Additi onal invest ment	Reduc ed invest ment	Gains and losses recognized under the equity method	Adjustm ent of other compreh ensive income	Change s of other equity	Cash bonus or profits announce d to issue	Withdra wal of impairm ent provisio n	Other		
I. Joint ventures											
II. Associated enterprises											
Haohong Investment	97,536,732.02			-1,518,268.37						96,018,463.65	
Subtotal	97,536,732.02			-1,518,268.37						96,018,463.65	
Total	97,536,732.02			-1,518,268.37						96,018,463.65	

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	4,949,117,460.00	3,635,767,983.52	4,912,726,656.13	3,548,107,954.49
Other operations	285,754,682.46	242,349,589.43	233,769,456.41	187,951,747.92
Total	5,234,872,142.46	3,878,117,572.95	5,146,496,112.54	3,736,059,702.41

Other notes:

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	17,976,433.62	17,976,433.62
Long-term equity investment income accounted by equity method	-1,518,268.37	-2,463,267.98
Investment income generated from disposal of financial assets at fair value through profit or loss	-47,564,384.05	4,858,596.97

Investment income from financial products	6,069,367.03	
Total	-25,036,851.77	20,371,762.61

XVI. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of non-current assets	20,670,427.42	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	63,680,098.12	
Gain/loss from change of fair value of trading financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	-63,632,606.67	
Other non-operating income and expense other than the above	2,784,021.34	
Less: Income tax effects	6,656,476.16	
Non-controlling interests effects	10,516,810.50	
Total	6,328,653.55	--

Explain the reasons if the Company classifies an item as an non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

☐ Applicable ☒ Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	11.24%	0.90	0.90
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	11.15%	0.90	0.90

Part XII Documents Available for Reference

1. The financial statements signed and stamped by the Company's legal representative, Chief Accountant and Financial Manager;
2. The original copy of the Independent Auditors' Report carrying the seal of the CPA firm, as well as the personal signatures of the engagement certified public accountants.
3. The originals of all the Company's announcements and documents disclosed to the public during the Reporting Period on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

29 March 2019