

Stock Code: 000726, 200726

Stock Name: LTTC-A, LTTC-B

Announcement No. 2020-029

LU THAI TEXTILE CO., LTD.

FIRST QUARTER REPORT 2020 (SUMMARY)

Part I Important Notes

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.

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

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.

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.

Part II Key Corporate Information

I Key Financial Information

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

Yes No

	Q1 2020	Q1 2019	Change (%)
Operating revenue (RMB)	1,252,428,965.20	1,545,153,566.09	-18.94%
Net profit attributable to the listed company's shareholders (RMB)	103,518,808.50	195,173,391.82	-46.96%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	103,615,262.08	175,390,785.73	-40.92%
Net cash generated from/used in operating activities (RMB)	145,916,523.77	-89,714,180.16	262.65%
Basic earnings per share (RMB/share)	0.12	0.23	-47.83%
Diluted earnings per share (RMB/share)	0.12	0.23	-47.83%
Weighted average return on equity (%)	1.33%	2.69%	-1.36%
	31 March 2020	31 December 2019	Change (%)
Total assets (RMB)	11,847,417,202.21	11,885,431,553.08	-0.32%
Equity attributable to the listed company's shareholders (RMB)	7,822,997,324.33	7,697,135,324.92	1.64%

Exceptional gains and losses

Applicable Not applicable

Unit: RMB

Item	Q1 2020	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-186,964.58	
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)	10,013,963.66	
Gain or loss on fair-value changes in trading financial assets and liabilities, as well as derivative financial assets and liabilities & income from disposal of trading financial assets and liabilities, derivative financial assets and liabilities, as well as investments in other debt obligations (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	9,861,643.88	
Non-operating income and expense other than the above	-864,671.11	
Less: Income tax effects	17,856,352.48	

Non-controlling interests effects (net of tax)	1,064,072.95	
Total	-96,453.58	--

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.

II Total Number of Shareholders and Holdings of Top 10 Shareholders at 31 March 2020

1. Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders at the period-end	56,319	Number of preferred shareholders with resumed voting rights at the period-end (if any)		0		
		Top 10 shareholders				
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held	Restricted shares held	Shares in pledge or frozen	
					Status	Shares
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	16.36%	140,353,583			
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.78%	118,232,400	118,232,400		
Hong Kong Securities Clearing Co. Ltd	Foreign legal person	2.80%	24,042,562			
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.37%	20,315,300			
T. ROWE PRICE INTL DISCOVERY FUND	Foreign legal person	2.16%	18,533,627			
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.13%	18,313,391			
Hong Kong Monetary Authority—Self-owned Fund	Foreign legal person	1.59%	13,684,684			
National Social Security Fund Portfolio 103	Other	1.40%	11,999,897			

First State Investments Management (UK) Co., Ltd.—First State China A share Fund	Foreign legal person	1.08%	9,237,222			
National Social Security Fund Portfolio 413	Other	1.05%	9,000,051			
Top 10 unrestricted shareholders						
Name of shareholder	Unrestricted shares held			Shares by type		
				Type	Shares	
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583			RMB-denominated ordinary stock	140,353,583	
Hong Kong Securities Clearing Co. Ltd	24,042,562			RMB-denominated ordinary stock	24,042,562	
Central Huijin Assets Management Co., Ltd.	20,315,300			RMB-denominated ordinary stock	20,315,300	
T.ROWE PRICE INTL DISCOVERY FUND	18,533,627			Domestically listed foreign stock	18,533,627	
China Securities Finance Corporation Limited	18,313,391			RMB-denominated ordinary stock	18,313,391	
Hong Kong Monetary Authority—Self-owned Fund	13,684,684			RMB-denominated ordinary stock	13,684,684	
National Social Security Fund Portfolio 103	11,999,897			RMB-denominated ordinary stock	11,999,897	
First State Investments Management (UK) Co., Ltd.—First State China A share Fund	9,237,222			RMB-denominated ordinary stock	9,237,222	
National Social Security Fund Portfolio 413	9,000,051			RMB-denominated ordinary stock	9,000,051	
ASSICURAZIONI GENERALI-DIVIDEND 2	7,585,759			RMB-denominated ordinary stock	7,585,759	
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 ordinary shareholders involved in securities margin trading (if any)	Naught

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

Yea No

No such cases in the Reporting Period.

2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable Not applicable

Part III Significant Events

I Changes in Key Financial Statement Line Items and Explanation of why

✓ Applicable □ Not applicable

Unit: RMB

Item	31 March 2020	31 December 2019	Change	Reason for change
Held-for-trading financial assets	294,663.69	52,356,098.85	-99.44%	Withdrawal of investments in trust wealth management products upon maturity
Accounts receivable financing	13,299,381.00	26,963,818.87	-50.68%	Increase in the transfer of endorsed bank's acceptance bills
Prepayments	108,220,853.07	56,828,987.59	90.43%	Increase in prepayments for raw materials and agricultural supplies
Long-term equity investments	147,701,670.43	103,226,300.00	43.09%	Payment of investment in associate
Other non-current financial assets	180,405,659.23	278,149,500.00	-35.14%	Sale of held-for-trading financial assets
Other non-current assets	30,056,642.67	18,841,918.62	59.52%	Increase in prepayments for equipment
Payroll payable	215,829,054.01	335,576,560.36	-35.68%	Payment of the 2019 year-end bonuses in the Current Period
Other payables	145,394,165.81	104,982,189.40	38.49%	Increase in borrowings from related party
Long-term borrowings	28,504,590.18	42,364,019.74	-32.72%	Reclassification of "current portion of long-term borrowings" to "current portion of non-current liabilities"
Item	Q1 2020	Q1 2019	Change	Reason for change
Finance cost	14,743,890.27	30,901,482.17	-52.29%	Increase in net exchange gains and interest income
Other income	9,740,763.66	20,199,549.00	-51.78%	Decrease in government subsidies associated with operation
Return on investment	104,051,767.00	-93,250.75	111682.77%	Receipt of returns on held-for-trading financial assets by the Company as the parent
Gain on changes in fair value	-99,714,752.69	5,108,600.00	-2051.90%	Reversal of the gains on changes in the fair value of held-for-trading financial assets recognized last year in the Current Period by the Company as the parent
Credit impairment loss	1,490,082.33	-2,517,708.08	159.18%	Decrease in allowances for losses on doubtful accounts
Asset impairment loss	-2,090,161.60	-441,007.21	-373.95%	Increase in inventory valuation allowances
Asset disposal income	-37,045.69	-4,492.87	-724.54%	Increase in losses on disposal of transportation equipment

Non-operating income	525,956.20	1,330,325.06	-60.46%	Decrease in compensation income
Non-operating expenses	1,540,546.20	1,124,658.73	36.98%	Increase in donations made
Income tax expenses	23,719,400.54	37,131,437.89	-36.12%	Decrease in taxable income
Net cash generated from/used in operating activities	145,916,523.77	-89,714,180.16	262.65%	A decrease of RMB379 million in payments for major raw materials, and a decrease of RMB158 million in cash proceeds from sale of commodities and rendering of services
Net cash generated from/used in investing activities	-65,312,638.47	-284,477,589.36	77.04%	Increase in investments withdrawn and return on investment, as well as decrease in payments for fixed asset acquisition
Net cash generated from/used in financing activities	-17,426,491.61	382,239,541.99	-104.56%	Decrease in borrowings received
Net increase in cash and cash equivalents	61,713,008.55	2,976,726.15	1973.18%	An increase of RMB236 million in net cash generated from operating activities, an increase of RMB219 million in net cash generated from investing activities, and a decrease of RMB400 million in net cash generated from financing activities

II Progress, Influence and Solutions with regard to Significant Events

✓ Applicable Not applicable

The relevant proposals on public issuance of A-share convertible corporate bonds were approved on the 28th Meeting of the 8th Board of Directors on 23 May 2019 and 3rd Extraordinary General Meeting of 2019 on 18 September 2019 respectively.

On 19 November 2019, the Company has received the Notice of One-time Review Feedback of CSRC Administrative License issued by CSRC (No. 192620). The Company examines carefully and implemented item by item for listed problems on the feedback with relevant intermediaries, and disclosed publicly the reply of the feedback in accordance with the relevant requirements on 29 November 2019.

The 7th Meeting of the 9th Board of Directors held on 27 November 2019 reviewed and approved five proposals including the Proposal on Adjustment of Fund Raising Scale on Public Issuance of A-share Convertible Corporate Bonds.

On 9 January 2020, the application for public issuance of A-share convertible corporate bonds has been approved by the Issuance Examination Committee of CSRC.

On 6 March 2020, the Company received the Ratification on Approval of Public Issuance of A-share Convertible Corporate Bonds of Lu Thai Textile Co., Ltd. (ZJXK [2020] No. 299), which agreed the Company to issue convertible corporate bonds with total par value of RMB1.4 billion with a maturity of six years.

The 10th Meeting of the 9th Board of Directors held on 3 April 2020 reviewed and approved concrete proposal on convertible corporate bonds, the listing of convertible corporate bonds and other matters.

On 15 April 2020, the Company has issued 14 million of the convertible corporate bonds with par value of each bond of RMB100, totaling RMB1.4 billion.

The Company will further conduct the listing of the convertible corporate bonds and other matters, and fulfill the obligations of information disclosure on time. The investors shall invest rationally and pay attention to investment risks.

Overview of significant events	Disclosure date	Announcement index
Projects of public issuance of A-share convertible corporate bonds	3 January 2020	Refer to relevant announcement and document (Announcement No. 2020-001) on www.cninfo.com.cn for details.
	10 January 2020	Refer to relevant announcement and document (Announcement No. 2020-002) on www.cninfo.com.cn for details.
	7 March 2020	Refer to relevant announcement and document (Announcement No. 2020-010) on www.cninfo.com.cn for details.
	7 April 2020	Refer to relevant announcement and document (Announcement No. 2020-011, 2020-013, 2020-014) on www.cninfo.com.cn for details.
	9 April 2020	Refer to relevant announcement and document (Announcement No. 2020-017) on www.cninfo.com.cn for details.
	10 April 2020	Refer to relevant announcement and document (Announcement No. 2020-018) on www.cninfo.com.cn for details.
	13 April 2020	Refer to relevant announcement and document (Announcement No. 2020-020) on www.cninfo.com.cn for details.
	15 April 2020	Refer to relevant announcement and document (Announcement No. 2020-022) on www.cninfo.com.cn for details.

Progress of any share repurchase:

Applicable Not applicable

Progress of any reduction of the repurchased shares through centralized bidding:

Applicable Not applicable

III Commitments that the Company's Actual Controller, Shareholders, Related Parties, Acquirers, the Company Itself or Other Parties, Failed to Fulfill on Time during the Reporting Period

Applicable Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform						

Commitments made in acquisition documents or shareholding alteration documents						
Commitments made in time of asset restructuring						
Commitments made in IPO or refinancing	Controlling shareholder, actual controller	Dilution of immediate return of public issuance of A-share convertible corporate bonds	1. It's not allowed to interfere the operation and management activities of the Company excessively, and to encroach the interest of the Company. 2. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and return of the commitment, and the above commitment fails to meet the requirements of the CSRC, the company/I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 3. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by the company/me. If the company/I violate(s) such commitment and cause(s) losses to the Company or investors, the company / I will bear the compensation responsibility to the Company or investors in accordance with the law.	23 May 2019	23 May 2019 to 8 April 2026	Ongoing
	The directors and senior manager of the	Dilution of immediate return of public issuance of	1. Commitment is made not to transfer benefits to other units or individuals free of charge or under unfair conditions, and no other ways damaging the interests of the	23 May 2019	23 May 2019 to 8 April 2026	Ongoing

	Company A-share convertible corporate bonds	<p>Company will be taken. 2. I will strictly abide by the budget management of the Company, and accept the strict supervision and management of the Company to avoid waste or excessive consumption. Any position-related consumption behaviors of myself will occur within the scope necessary for the performance of my duties. 3. Commitment is made not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties. 4. Commitment is made that the remuneration system developed by the Board of Directors or the Remuneration Committee is linked to the implementation of the Company's remedial measures for returns. 5. Commitment is made that the conditions for exercising the Equity Incentive Plan to be issued in the future will be linked to the implementation of the Company's remedial measures for returns. 6. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC. 7. Commitment is made to fulfill the Company's relevant remedial measures for returns and any</p>		
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			commitment made herein by me. If I violate such commitment and causes losses to the Company or investors, I will bear the compensation responsibility to the Company or investors in accordance with the law.			
Commitments made in stock option incentive						
Other commitments made to minority shareholders						
Fulfill on time or not	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step (if any)						

IV Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

五、Wealth Management Entrustment

Applicable Not applicable

Unit: RMB'0,000

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Trust finance products	Self-funded	5,000	0	0
Total		5,000	0	0

High-risk wealth management entrustments with amounts that are individually significant, or with low security, low liquidity, or no protection of the principal:

Applicable Not applicable

Unit: RMB'0,000

Trustee	Type of trustee	Type of wealth management product	Principal	Funding source	Start date	End date	Investment with principal	Way of payback	Reference annualized return (%)	Expected return (if any)	Actual gain/loss in Report Period	Collection/payment of gain/loss in Report	Impairment allowance (if any)	Through prescribed procedure or not	Any plan for further entrustment	Overview and index to more information

												ing Period				ratio n (if any)
Avic trust co. LTD	Trust company	Fixed-income	5,000	Self-funded	7 March 2019	9 March 2020	No fixed investment	Annual payment of interest and payment of principal upon maturity	8.00%	400	402.19	Recovery on time	Yes	Temporarily no		
Total			5,000	--	--	--	--	--	400	402.19	--	--	--	--	--	

Wealth management entrustments with possible impairments including an expectedly unrecoverable principal:

Applicable Not applicable

VI Investments in Derivative Financial Instruments

Applicable Not applicable

Cou nterp arty	Relati onship with the Company	Rela ted-part y trans action or not	Type of derivat ive	Initial investment amount	Start date	End date	Begi nnin g inve stme nt	Purchased in Reporting Period	Sold in Reporting Period	Impair ment allowa nce (if any)	Ending investme nt	Ending investmen t as % of the Company' s ending net assets	Actual gain/loss in Report ing Period
Com mercial bank	Non-c onnect ed	No	Forwa rd exchan ge settle ment	39,398.69	21 January 2020	31 March 2020	0	39,398.69	39,398.69	0	0	0.00%	228.05
Com mercial bank	Non-c onnect ed	No	Foreig n exchan ge	68,951.65	19 March 2020	25 December 2020	0	68,951.65	30,580.65	0	38,371	4.55%	562.07

			option										
Commercial bank	Non-connected	No	Forward exchange transactions	15,471.23	9 March 2020	17 September 2020	0	15,471.23	0	0	15,471.23	1.84%	0
Total				123,821.57	--	--	0	123,821.57	69,979.34	0	53,842.23	6.39%	790.12
Funding source		Self-funded											
Legal matters involved (if applicable)		N/A											
Disclosure date of board of directors announcement on approval of derivative investment (if any)		27 April 2018											
Disclosure date of general meeting of shareholders announcement on approval of derivative investment (if any)													
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)		<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. The Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws and regulation.</p> <p>1. Market risk: when the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivatives transactions of the Company. Precautionary measures to be taken include: the Company chooses risk-controlled financial derivative tools with simple structure and good liquidity to carry out the hedging business, strictly controls the scale of financial derivatives trading by staged operations, and adjusts the strategy according to market changes in a timely manner. 2. Liquidity risk and credit risk: a credit risk arising from failure of the contractually due Company or counterparty in performing the contract due to liquidity or factors other than liquidity. Precautionary measures to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty.</p> <p>3. Operation risk: The derivatives had high specialty and complexity, so imperfect internal operation</p>											

	<p>procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum.</p> <p>4. Risk of laws and regulation: The Company conducted derivatives products transaction in strict accordance with relevant laws and rules, otherwise 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 business, tracked closely the relevant changes; the Company carried out financial derivative instruments transactions with financial institutions with the legal qualifications, tremendous strength and good reputation; and strengthened the compliant examination on derivative products transaction business to avoid possible law risks. 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 17th Meeting of the 8th Board of Directors on 25 April 2018 and the 26th Meeting of the 8th Board of Directors on 29 April 2019, and performed relevant information disclosure responsibilities.</p>
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	<p>1. 1. As of 31 March 2020, the Company held fifteen undue financial derivatives contracts, totaling USD85.1616 million, among which nine contracts were the forward exchange option portfolio, totaling USD63 million, and six contracts were forward exchange transactions, totaling USD22.1616 million.</p> <p>2. In January - March 2020, the amount of maturing financial derivatives of the Company amounted to USD99.50 million which was executed as per the contract in full, which generated gains of RMB7.9012. The amount of delivered settlements of forward exchange was USD56.50 million, which generated the gain of RMB2.2805 million. The amount of delivered foreign exchange options was USD43 million which generated the gain of RMB5.6207 million.</p>
Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No significant changes
Opinion of independent directors on derivative investments and risk control	The Company's independent directors Zhou Zhiji, Bi Xiuli, Pan Ailing, Wang Xinyu and Qu Dongmei, 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.
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VII Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

VIII Irregularities in the Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

IX 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.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

30 April 2020