LU THAI TEXTILE CO., LTD.
ANNUAL REPORT 2016

March 2017

Section I Important Statements, Contents and Definitions

The board of directors (the "Board"), the supervisory board (the "Supervisory Board"), as well as the directors, supervisors and executive officers of Lu Thai Textile Co., Ltd. (the "Company") hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

Liu Zibin, head of the Company, Zhang Hongmei, accounting head for this Report, and Zhang Keming, head of the accounting department (head of accounting), hereby guarantee that the Financial Report carried in this Report is factual, accurate and complete.

Except for the following directors, all the other directors attended in person the board meeting for the review of this Report.

Name	Office title	Reason for not attending in person	Proxy
Xu Zhinan	Director	For reason of work	Liu Zibin
Zeng Facheng	Director	For reason of work	Liu Zibin
Chen Ruimou	Director	For reason of work	Qin Guiling
Xu Jianjun	Independent Director	For reason of work	Bi Xiuli

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 "Section IV 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 2017. And all information about the Company shall be subject to what's disclosed on the aforesaid media. Investors are kindly reminded to pay attention to investment risks.

The Board has considered and approved the following proposal for profit distribution: Based on the total shares of 922,602,311, a cash dividend of RMB5.00 (tax inclusive) per 10 shares will be distributed to all shareholders of the Company. No bonus shares will be granted, nor will any capital reserve be converted into share capital.

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

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Definitions

Term		Definition
Issuer, Company, the Company		Lu Thai Textile Co., Ltd.
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		China Securities Regulation Commission
Yuan, Ten thousand		RMB, RMB Ten thousand
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”
Reporting Period		January 1, 2016-December 31, 2016

Section II Corporate Profile and Financial Results

I Corporate information

Stock name	Lu Thai A, Lu Thai B	Stock code	000726, 200726
Changed stock name (if any)	N/A		
Stock exchange	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	lttc@lttc.com.cn		

II Contact information

	Board Secretary	Securities Representative
Name	Qin Guiling	Zheng Weiyin, Li Kun
Address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China
Tel.	0533-5266188	0533-5285166
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E-mail	qinguiling@lttc.com.cn	wyzheng@lttc.com.cn，likun@lttc.com.cn

III Information disclosure and place where this Report is kept

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

Regulatory Commission (CSRC) for the publication of this Report	
Place where this Report is kept	The Securities Department of the Company

IV Company registration and alteration

Credibility code	91370300613281175K
Changes in main business activities of the Company after going public (if any)	No changes
Changes of controlling shareholder (if any)	No changes

V Other information

The CPAs 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	He Feng, Cui Xiaoli

Sponsor engaged by the Company to continuously perform its supervisory function during this Reporting Period

□ Applicable √ Not applicable

Financial advisor engaged by the Company to continuously perform its supervisory function during this Reporting Period

□ Applicable √ Not applicable

VI Accounting and financial results

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

□ Yes √ No

	2016	2015	+/-%	2014
Operating revenues (RMB)	5,981,751,344.63	6,173,322,778.61	-3.10%	6,169,688,792.53
Net profit attributable to shareholders of the Company (RMB)	805,446,326.99	712,193,243.19	13.09%	958,725,402.84
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	759,471,125.12	718,263,125.89	5.74%	876,095,180.42
Net cash flows from operating activities (RMB)	1,310,765,281.28	1,027,595,404.34	27.56%	1,112,095,349.02
Basic earnings per share (RMB/share)	0.85	0.75	13.33%	1.000
Diluted earnings per share (RMB/share)	0.85	0.75	13.33%	1.000
Weighted average return on equity (%)	11.71%	10.66%	1.05%	15.39%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014

Total assets (RMB)	9,407,103,263.34	9,091,170,499.22	3.48%	8,627,671,393.88
Net assets attributable to shareholders of the Company (RMB)	6,937,985,729.19	6,837,113,075.58	1.48%	6,588,772,245.55

VII Differences in accounting data under domestic and foreign accounting standards

1. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and international accounting standards

√ Applicable □ Not applicable

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	2016	2015	Closing amount	Opening amount
According to Chinese accounting standards	805,446,326.99	712,193,243.19	6,937,985,729.19	6,837,113,075.58
Items and amounts adjusted according to international accounting standards				
Impact on domestic equipment tax credit recognized as deferred income under international accounting standards	725,000.00	1,015,000.00	-329,000.00	-1,054,000.00
According to international accounting standards	806,171,326.99	713,208,243.19	6,937,656,729.19	6,836,059,075.58

2. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

□ Applicable √ Not applicable

No such differences for this Reporting Period.

3. Reasons for the differences in accounting data under domestic and foreign accounting standards

√ Applicable □ Not applicable

Effects of domestic equipment exempted from income tax

The Company exempted from income tax for buying domestic equipment. According to Chinese accounting standards, the income tax expenses are directly reduced which are recognized as deferred income related to assets by the international accounting standards. According to the regulations of the international accounting standards, this difference is amortized over the fixed using periods of year of the fixed assets and adjusting net income and net assets.

VIII Financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	1,282,806,624.05	1,548,520,148.98	1,433,914,063.96	1,716,510,507.64
Net profit attributable to shareholders of the Company	150,268,522.21	194,372,662.52	236,519,891.59	224,285,250.67
Net profit attributable to shareholders of the Company before exceptional profit and loss	137,542,633.98	195,694,228.53	222,917,425.85	203,316,836.76
Net cash flows from operating activities	183,258,282.60	380,149,064.83	527,827,860.41	219,530,073.44

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

□ Yes √ No

IX Exceptional profit/loss

√ Applicable □ Not applicable

Unit: RMB

Item	2016	2015	2014	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	-8,321,693.49	-4,666,157.56	-3,316,012.55	
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	64,121,633.01	43,266,788.43	99,126,878.52	
Profit/loss on fair value changes of transactional financial assets and liabilities & investment income from disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effective hedges related to routine operations of the Company	3,212,471.16	-29,145,915.85	-5,319,435.30	
Non-operating income and expense other than the above	3,926,191.60	3,432,535.47	21,173,199.30	
Less: Corporate income tax	3,065,724.25	12,302,309.25	22,913,850.04	
Minority interests (after tax)	13,897,676.16	6,654,823.94	6,120,557.51	
Total	45,975,201.87	-6,069,882.70	82,630,222.42	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

□ Applicable √ Not applicable

No such cases in this Reporting Period.

Section III Business Profile

I. Main business during the Reporting Period

Whether the Company needs to comply with the disclosure requirements of the particular industry

No

Lu Thai, unremittingly taking “creating wealth, contributing to the society, clothing the country and boosting the development of the world” as its mission, has been practicing the value 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 combing cotton breeding, 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 had already become the largest world renowned manufacturer for high-grade yarn dyed fabric and premium-brand shirts. 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. 80% of Lu Thai’s products were exported over 30 countries and regions in the world, including America, EU and Japan. The export percentage for high-grade yarn dyed fabric--a self-owned brand attained 70% of its export volume, accounting for 18% of the world’s export market share.

II. Significant changes in the main assets

1. Significant changes in the main assets

Main asset	Reason for any significant change
Construction in progress	RMB 154,668,358.96 as at 31 Dec. 2016, reduce 24.59% from opening amount, mainly because of new inputs to Lu Thai (Burma) Garment project and Lu Thai (Vietnam) Yarn-Dyed Fabric project.
Engineer material	RMB 117,120,463.50 as at 31 Dec. 2016, up 1753.24 % from opening amount, mainly because of new inputs to Lu Thai (Vietnam) equipment addition project.

2. Main assets overseas

√ Applicable □ Not applicable

Asset	Formation	Asset size	Location	Operating model	Control measures to	Earnings	In the Company’s	Major impairment

					ensure asset safety		net assets (%)	risk
Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	153,790,829.75	Hong Kong	Marketing	Main management personnel sent by the Company	3,319,747.13	2.07%	No
Lu Thai (America) Textile Co., Ltd.	Incorporated	5,955,611.11	New York	Marketing	Main management personnel sent by the Company	-693,781.68	0.08%	No
Lu Thai (Cambodia) Textile Co., Ltd.	Incorporated	156,072,805.94	Svay Rieng	OEM	Main management personnel sent by the Company	2,799,831.58	2.11%	No
Lu Thai (Burma) Textile Co., Ltd.	Incorporated	80,820,486.75	Rangoon	OEM	Main management personnel sent by the Company	-7,106,520.52	1.09%	No
Lu Thai (Vietnam) Textile Co., Ltd.	Incorporated	785,946,483.25	Tay Ninh	OEM	Main management personnel sent by the Company	-59,910,174.11	10.60%	No
Lu An Garments Co., Ltd.	Incorporated	104,615,350.30	Anjiang, Vietnam	OEM	Main management personnel sent by the Company	-11,655,275.52	1.41%	No

III. Core competitiveness analysis

Whether the Company needs to comply with the disclosure requirements of the particular industry

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. Objective analysis and thinking in the customer's perspective was the Company's service rule, which also helped to win the customers' trust.

Section IV Discussion & Analysis by the Management

I. Summary

In 2016, market demand was sluggish; cost of production factors continuously rose; the import quota of cotton decreased. The Company stood on its reality in the industry, stably pushed forward the strategy "improve quality and enhance efficiency" and "overall internationalization", comprehensively improved service ability of market, popularized excellent performance management, further improved Lu Thai Production System (LTPS), accelerated the integration of "marketization and internationalization", continuously developed innovation motility, carried forward harmonious enterprise culture and "spirit of the craftsman", guided employees to practice socialist core values and continuously maintained healthy, stable and sustainable development of the Company.

For the Reporting Period, the Company achieved operating revenues of RMB 5.982 billion, operating profit of RMB 0.966 billion, net profit attributable to the shareholders of the Company of RMB 0.805 billion and net profit of RMB 0.759 billion before exceptional profits and losses. Compared with last year, the aforesaid figures respectively declined 3.1%, rose 14.76%, rose 13.09% and rose 5.74%. During the Reporting Period, the main business, main profit sources and their structure of the Company remained unchanged.

During the Reporting Period, the Company progressed in international layout, upgrade of management, innovation-driven and quality service. The Company ranked first in the list of top 100 enterprises in Chinese textile industry in 2015/2016. It was awarded with the title "2015 top-100 enterprise of clothing industry" issued by China National Garment Association, selected into the list "2015 top 20 Chinese dyeing and printing enterprises" and awarded with the title "five-star enterprise of performing social responsibility in Chinese industry" by China Federation of Industrial Economics. During the Reporting Period, the Company passed the confirmation on "national quality award" which was awarded 3 years ago; it had the honor to successively get the titles "2016 '3.15' International Consumer Rights Day national excellent enterprise of quality integrity", "2016 national 'quality month' quality integrity advocacy enterprise", "national typical enterprise of quality integrity" and "Chinese demonstration enterprise of export quality safety". It was awarded as "2016 national textile enterprise of harmonious labor relation", "national demonstration enterprise of advanced work of Party building in textile industry", "2016 talent construction demonstration enterprise in Chinese textile industry", "national cultivation base for textile model workers (first batch)" and "commendation prize of Chinese industrial award" by China National Textile and Apparel Council and Chinese Association for Textile Enterprises Culture Construction. To better utilize technology accumulation and give full play to the brand superiority of the Company in yam-dyed industry and shirt processing and effectively integrate domestic and foreign resource superiority in different places, the Company successively set up Lu Thai (Milan) Office, Lu Thai (America) Textile Co., Ltd., Lu Thai (Cambodia) Textile Co., Ltd., Lu Thai (Burma) Textile Co., Ltd., Lu Thai (Vietnam) Textile Co., Ltd. and Lu An Garments Co., Ltd. In this way, the Company gets the equal competition platform as international enterprises in product design, market information collection, after-sale service and products processing. During the Reporting Period, the first yarn-dyed cloth project of Lu Thai (Vietnam) Textile Co., Ltd. was successfully put into production. After-treatment production line and Lu An Garments production line are being constructed in order.

Popularize excellent performance management and further perfect Lu Thai Production System (LTPS). During the Reporting Period, Ministry of Industry and Information Technology promulgated 2016 national industrial enterprises' typical experience of "quality benchmarking". "Quality management with the core of quality, innovation and brand" of our company was recommended. At the second national exchange meeting of equipment management and innovation achievements of China Association of Plant Engineering held in Beijing, *The Development and Application of OEE in Central Control System* got first prize of Chinese equipment management and innovation achievements. In 2016 national commendation activity for excellent teams of textile quality management, 14 QC teams of the Company, including "quality improvement team", were awarded with the title "national excellent team of textile quality management”. Two items of achievement got second prize of 2016 national quality management team achievements in textile industry.

Strengthen the integration of intelligentization and automation; constantly upgrade equipment. Through introducing the intelligent working procedures of Switzerland, Germany and Japan and integrating complete intelligent spinning production line, the Company raised the efficiency of spinning production. National project of intelligent equipment manufacturing—cooperated with Companion Group to jointly research and develop Chinese first “digital workshop of bobbin dyeing” which achieves the center-control dye and intelligent distribution of warp beam. Through popularizing automatic reeding machines, weave efficiency was raised and intelligent weaving production progressed. Up to now, the Company has preliminarily constructed the intelligent production plant of spinning, weaving, bleaching and dyeing. Intelligent manufacture has shown its rudiment.

Lay emphasis on the investment in research, development and innovation; guarantee the driving force to sustainable development. In 2016, the Company focused on strategic target, strengthened new products development, custom-made development, scientific problem tackling and innovation, carried forward energy conservation and emission reduction, constantly researched and applied new materials and new technologies and continuously enhanced core competitiveness of the Company. The Company carried out custom-made development for “important customers”, built R & D team to exchange with the customers periodically, timely knew customers’ demand and market direction and met their personalized product demand. At the same time, the Company cooperated with professional colleges, downstream enterprises and upstream enterprises, pushed forward innovation and development, expanded the innovation and application of new-type fiber and diversified structure of products.

The Company tackled key problems of “bottleneck” technology and new breakthrough was got to technological problems. In 2016, the group company set up 212 technical topics, including spinning, weaving, dyeing, processing, clothing manufacture, energy, environmental protection, information, brand and so on which closely related to development of the group. In 2016 Lu Thai meeting of scientific and technological achievements authentication, 2 items of technology reached international leading level and 1 item of technology reached international advanced level through the field authentication of experts team.

In the latest years, the Company has successfully developed more than 600 items of new technology and new products. Among them, 11 items reached international leading level; 28 items reached international advanced level. By 2016, the Company had undertaken 15 national-level and provincial and ministerial-level key research projects, including 1 national Torch Plan, 1 national 863 Program and 2 national science and technology support programs. 44 national-level and provincial and ministerial-level awards have been got, including 1 first prize of national scientific and technological progress, 2 second prizes of national scientific and technological progress and 41 first prizes of provincial and ministerial-level scientific and technological progress. 260 patents had been authorized. The Company had hosted or participated in establishing 32 national and industrial standards, including 7 national standards and 25 industrial standards.

Carry out green management facing “the future”; ecological development progressed stably. The Company persists in green, low-carbon and sustainable development, constantly innovates management and has achieved great progress in energy conservation and emission reduction, pollution control, recycling economy development, the recycle and comprehensive utilization of ammonia, alkali and PVA, the advanced treatment and recycle of sewage and the incineration and harmless treatment of sludge. China National Textile and Apparel Council and China Research and Promotion Association of Textile Ecological Civilization jointly initiated activity “China Textile Ecology Civilization”. Regarding *Cultivate and Build Evaluation Index System for Ecological Civilization Demonstration Enterprises in Textile Industry* as review basis, the Company was recommended to be “China Ecological Civilization Demonstration Enterprise in Textile Industry”. At “2016 China Hi-Tech national annual meeting of energy conservation and environment protection in printing and dyeing industry”, 2 key items of production technology of the subsidiary corporation Lufeng Weaving & Dyeing Company Ltd. were assessed to be national tenth-batch advanced technology of energy conservation and emission reduction in printing and dyeing industry.

In 2016, the Company actively carried forward Zero Discharge of Harmful Chemicals (ZDHC), established Lu Thai system of ecological safety management and made safety management procedures for chemicals, procedures of new chemicals approval and the plan of elimination and replacement of harmful chemicals. At the4th CNTAC-ZDHC meeting for interested parties of harmful chemicals management & green manufacture, the Company was awarded as the optimal pilot plant of ten problems practice pioneer.

Intensify brand construction, bring full industrial chain superiority of the Company into full play and constantly improve the ability of independent design. During the Reporting Period, the Company optimized services to customers in the research, development and design of shell fabrics and garments. It had laid firm foundation for creating high-end textile of the world. In 2016, through attending 19 domestic and foreign large exhibitions and introduction & marketing conferences for customers held in Italy, Shanghai, Hong Kong, America, Japan and so on, new functional products were presented and introduced to customers. Good mechanism of communication with customers had been established and the products were favored by them. In 2016 selecting activity of "Chinese excellent printing and dyeing shell fabric", *Random* shell fabric and *Glistening Phantom* shell fabric of the Company got first prize; *Fantasy* shell fabric got second prize. In activity "2016 Chinese shell fabric star survey on most satisfactory products", shell fabric of the Company got the prize "the most fashionable style". In addition, shell fabric *Ink Charm* of the Company got bronze prize in 2016 China international competition of shell fabric design & 2017/18 Chinese popular autumn and winter shell fabric. In the latest years, Lu Thai has got more than 20 Excellence Awards in China international competition of shell fabric design and ecological and environmental-protection design competition. As the representative of domestic excellent shell fabric enterprises, many design products have been selected for French TEXWORLD shell fabric exhibition.

The holding subsidiary corporation Beijing Lu Thai Youxian E-Commerce Co., Ltd. used O2O mode featuring "place order online and conduct measurement by visiting the customers". Customers can make an appointment and order conveniently through Utailor, Vshop, Jingdong Flagship Store or 400 telephone. The Company provides customized service for clients in high quality. Since "UTAILORE", one of its high-end men's clothing was pushed to the market, repeat purchase rate from its customers, old and new, is rising consistently. Now, its business expands from high-end shirt customization to garment customization, which paves the way for the promotion of its garment brands.

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. Main business analysis

1. Summary

During the Reporting Period, operation revenue, operating costs, selling expenses and management expense respectively decreased for 3.10%, 7.74 %, 17.23 % and 1.69 %. At the same time, financial expense and income tax respectively increased for 25.58% and 16.48 %. Increase 25.58% of financial expense was caused by the influence of exchange rate variation and the increase of net loss in exchange; increase 16.48 % of income tax was caused by the increase of total profit made by parent company and Lufeng; investment in the year was RMB 0.29 billion which declined for 1.73% comparing with that in the last year; the net cash flow in business activities increased for 27.56% because the cash for commodity purchase and labor service payment decreased for 14.72 %; net cash flow generated in investment activities decreased for 67.00% because the cash paid for fixed assets increased for 88.99% and the cash expenditure for investment increased; net cash flow generated in financing activities decreased for 36.06% because parent company increased the payment for B share; net increase of cash and cash equivalent decreased for 195.37% because the net cash flow generated in investment activities decreased for 67.00%.

2. Revenues and costs

(1) Breakdown of the operating revenues

Unit: RMB

	2016		2015		+/-
	Amount	In operating revenues	Amount	In operating revenues	
Operating revenues	5,981,751,344.63	100%	6,173,322,778.61	100%	-3.10%
By segment					
Textile and apparel	5,559,988,040.46	92.95%	5,666,835,971.98	91.80%	-1.89%
Cotton	12,617,667.25	0.21%	36,667,302.61	0.59%	-65.59%
Electricity and steam	109,348,407.76	1.83%	130,561,983.84	2.11%	-16.25%
Other	299,797,229.16	5.01%	339,257,520.18	5.50%	-11.63%
By product					
Fabric products	4,342,679,194.97	72.60%	4,497,661,649.68	72.86%	-3.45%
Shirts	1,217,308,845.49	20.35%	1,169,174,322.30	18.94%	4.12%
Cotton	12,617,667.25	0.21%	36,667,302.61	0.59%	-65.59%
Electricity and steam	109,348,407.76	1.83%	130,561,983.84	2.11%	-16.25%
Other	299,797,229.16	5.01%	339,257,520.18	5.50%	-11.63%
By area					
Hong Kong	243,268,777.10	4.07%	319,142,637.77	5.17%	-23.77%
Japan and South Korea	367,116,617.59	6.14%	404,101,936.72	6.55%	-9.15%
Southeast Asia	1,973,589,974.34	32.99%	1,877,255,492.74	30.41%	5.13%
Europe and America	1,065,910,735.22	17.82%	1,002,515,150.25	16.24%	6.32%
Other	429,694,336.29	7.18%	486,694,905.10	7.88%	-11.71%
China Mainland	1,902,170,904.09	31.80%	2,083,612,656.03	33.75%	-8.71%

(2) Segments, products or areas contributing over 10% of the operating revenues or profits

√ Applicable □ Not applicable

Whether the Company needs to comply with the disclosure requirements of the particular industry

No

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%

By segment						
Textile and apparel	5,559,988,040.46	3,714,143,672.96	33.20%	-1.89%	-6.95%	3.64%
By product						
Fabric products	4,342,679,194.97	2,879,947,896.50	33.68%	-3.45%	-9.12%	4.14%
Shirts	1,217,308,845.49	834,195,776.46	31.47%	4.12%	1.41%	1.83%
By area						
Southeast Asia	1,973,589,974.34	1,309,327,081.90	33.66%	5.13%	-1.01%	4.12%
Europe and America	1,065,910,735.22	721,294,711.28	32.33%	6.32%	2.21%	2.73%
China	1,902,170,904.09	1,277,359,785.99	32.85%	-8.71%	-12.53%	2.94%

Main business data of the previous year restated according to the changed statistical caliber for the Reporting Period

□ Applicable √ Not applicable

(3) Product sales revenue higher than the service revenue

√ Yes □ No

Business segment	Item	Unit	2016	2015	+/-
Textile and fabric	Sales volume	(0,000 meters)	22,035.33	22,207.14	-0.77%
	Output	(0,000 meters)	25,185.85	25,468.85	-1.11%
	Stock	(0,000 meters)	3,286.52	3,104.67	5.86%
Textile and apparel	Sales volume	(0,000 pieces)	1,844.13	1,837.08	0.38%
	Output	(0,000 pieces)	1,856.04	1,859.32	-0.18%
	Stock	(0,000 pieces)	126.66	126.46	0.16%
Cotton	Sales volume	(ton)	618.91	2,903.68	-78.69%
	Output	(ton)	11,013.71	13,634	-19.22%
	Stock	(ton)	3,760.35	4,683	-19.70%
Electricity	Sales volume	(000 KWH)	95,570.01	108,044.04	-11.55%
	Output	(000 KWH)	406,457.36	383,485.09	5.99%
	Stock	(000 KWH)			
Steam	Sales volume	(ton)	318,171.76	307,894.71	3.34%
	Output	(ton)	1,235,811.79	1,241,941.61	-0.49%
	Stock	(ton)			

Reason for any over 30% YoY movements in the data above

√ Applicable □ Not applicable

The external cotton sale of affiliated companies decreased for 78.69% during January-December of 2016 because the cotton sale of

Xinjiang Lu Thai decreased.

(4) Execution progress of major signed sales contracts in the Reporting Period

□ Applicable √ Not applicable

(5) Breakdown of the operating costs

By segment and product

Unit: RMB

Segment	Item	2016		2015		+/-
		Amount	In operating costs	Amount	In operating costs	
Textile and apparel	Operating cost	3,714,143,672.96	92.74%	3,991,647,481.25	91.95%	-6.95%
Cotton	Operating cost	11,742,505.52	0.29%	30,736,539.86	0.71%	-61.80%
Electricity and steam	Operating cost	94,471,256.88	2.36%	92,038,888.21	2.12%	2.64%
Other	Operating cost	184,663,982.02	4.61%	226,611,967.72	5.22%	-18.51%

Unit: RMB

Product	Item	2016		2015		+/-
		Amount	In operating costs	Amount	In operating costs	
Fabric products	Operating cost	2,879,947,896.50	71.91%	3,169,035,497.16	73.00%	-9.12%
Shirts	Operating cost	834,195,776.46	20.83%	822,611,984.09	18.95%	1.41%
Cotton	Operating cost	11,742,505.52	0.29%	30,736,539.86	0.71%	-61.80%
Electricity and steam	Operating cost	94,471,256.88	2.36%	92,038,888.21	2.12%	2.64%
Other	Operating cost	184,663,982.02	4.61%	226,611,967.72	5.22%	-18.51%

Note:

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2016	54.82%	17.01%	5.22%	12.86%	10.09%	100.00%
	2015	55.56%	17.50%	4.91%	12.92%	9.11%	100.00%
Shirts	2016	55.71%	39.10%	1.61%	0.74%	2.84%	100.00%
	2015	55.71%	39.10%	1.61%	0.74%	2.84%	100.00%

(6) Changes in the consolidation scope for the Reporting Period

√ Yes □ No

During this Reporting Period, the Company set up wholly-owned subsidiary Lu An Garments Co., Ltd. and canceled subsidiary Beijing Lufeng Sunshine Garments Co., Ltd.

(7) Major changes in the business, products or services in the Reporting Period

□ Applicable √ Not applicable

(8) Main customers and suppliers

Main customers

Total sales to top 5 customers (RMB)	1,240,805,282.08
Ratio of total sales to top 5 customers to annual total sales (%)	20.74%
Ratio of total sales to top 5 customers to annual total sales from the related party (%)	0.00%

Information about the top 5 customers

Serial No.	Name of customer	Sales (RMB)	Proportion in annual total sales (%)
1	TAL	406,591,614.86	6.80%
2	OLYMP	266,934,476.74	4.46%
3	CHENFENG (JIANGSU) GARMENT CO., LTD.	232,701,549.04	3.89%
4	THE MEN’S WEARHOUSE	223,286,163.57	3.73%
5	SEIDENSTICKER	111,291,477.87	1.86%
Total	--	1,240,805,282.08	20.74%

Other information about the main customers

□ Applicable √ Not applicable

Main suppliers

Total purchases from top 5 suppliers (RMB)	796,435,937.70
Ratio of total purchases from top 5 suppliers to annual total purchases (%)	20.35%
Ratio of total purchases from top 5 suppliers to annual total purchases from related party (%)	0.00%

Information about the top 5 suppliers

Serial No.	Name of supplier	Purchase amount (RMB)	Proportion in annual total purchases (%)
1	ZIBO POWER SUPPLY COMPANY OF STATE GRID SHANDONG ELECTRIC POWER COMPANY	212,172,341.45	5.42%
2	XINJIANG PRODUCTION AND CONSTRUCTION CORPS COTTON AND LINEN COMPANY	203,697,535.43	5.20%
3	ALLENBERG COTTON CO.	153,281,799.32	3.92%

4	JESS SMITH AND SONS COTTON, LLC	130,591,336.60	3.34%
5	ZIBO SENHAI TRADING COMPANY	96,692,924.90	2.47%
Total	--	796,435,937.70	20.35%

Other information about the main suppliers

□ Applicable √ Not applicable

3. Expense

Unit: RMB

	2016	2015	+/-%	Reason for any significant change
Selling expenses	158,869,993.22	191,933,295.19	-17.23%	
Administrative expenses	659,398,886.58	670,704,384.29	-1.69%	
Financial expenses	20,697,661.64	16,481,023.89	25.58%	

4. R&D input

√ 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.

Particulars about the R&D input

	2016	2015	+/-%
Number of R&D personnel	1,703	1,693	0.59%
R&D personnel in total employees	10.81%	10.17%	0.64%
R&D input (RMB)	289,826,541.83	294,928,756.29	-1.73%
R&D input in operating revenues	4.85%	4.78%	0.07%
Capitalized R&D input (RMB)	0.00	0.00	0.00%
Capitalized R&D input in total R&D input	0.00%	0.00%	0.00%

Reasons for any marked YoY change of the proportion of the R&D input in the operating revenues

□ Applicable √ Not applicable

Reasons for any sharp variation of the capitalization rate on the R&D input and rationale

□ Applicable √ Not applicable

5. Cash flows

Unit: RMB

Item	2016	2015	+/-

Subtotal of cash inflows from operating activities	6,171,600,392.84	6,298,613,072.87	-2.02%
Subtotal of cash outflows from operating activities	4,860,835,111.56	5,271,017,668.53	-7.78%
Net cash flows from operating activities	1,310,765,281.28	1,027,595,404.34	27.56%
Subtotal of cash inflows from investing activities	36,705,249.54	53,217,989.19	-34.97%
Subtotal of cash outflows from investing activities	904,713,137.25	572,981,769.64	57.53%
Net cash flows from investing activities	-868,007,887.71	-519,763,780.45	-67.00%
Subtotal of cash inflows from financing activities	2,244,937,867.50	1,535,434,022.24	46.21%
Subtotal of cash outflows from financing activities	2,807,150,042.60	1,948,641,555.44	44.06%
Net cash flows from financing activities	-562,212,175.10	-413,207,533.20	-36.06%
Net increase in cash and cash equivalents	-110,916,252.83	116,301,675.35	-195.37%

Main influence factors for any significant YoY changes in the items above

√ Applicable □ Not applicable

During the Reporting Period, net cash flow generated in investment activities was RMB 868,007,887.71, decreasing for 67.00%; this is because the payment for fixed assets increased. Net cash flow generated in financing activities was RMB 562,212,175.10, decreasing for 36.06%; this is because parent company increased the payment for B share. Net cash and cash equivalent increased for RMB 110,916,252.83, decreasing for 195.37%; this is because net cash flow generated in investment activities decreased; the investment in Lu Thai (Vietnam) yarn-dyed fabric project and Lu An garment project increased, which caused the increase of cash expenditure in investment activities.

Reasons for any big difference between the net operating cash flows and the net profits in the Reporting Period

□ Applicable √ Not applicable

III. Non-core business analysis

√ Applicable □ Not applicable

Unit: RMB

	Amount	In total profits (%)	Source/reason	Continuity
Investment gains	-60,779,660.20	-5.93%	Gains on delivery of financial assets such as forward exchange settlement	No
Gains/losses on fair value changes	63,992,131.36	6.24%	Losses on fair value changes of financial assets and liabilities	No
Asset impairment	88,833,415.21	8.66%	Inventory falling price provision, bad-debt provision, etc.	No
Non-business revenue	75,254,150.98	7.34%	Governmental subsidies	No
Non-business expense	15,528,019.86	1.51%	Losses on disposal of non-current assets	No

IV. Asset and liability analysis

1. Significant changes in the asset composition

Unit: RMB

	As at 31 Dec. 2016		As at 31 Dec. 2015		Proportion change（%）	Reason for significant change
	Amount	In total assets (%)	Amount	In total assets (%)		
Monetary funds	662,967,785.49	7.05%	795,501,196.07	8.75%	-1.70%	
Accounts receivable	293,129,727.93	3.12%	262,848,042.62	2.89%	0.23%	
Inventories	1,816,700,441.85	19.31%	1,743,963,973.24	19.18%	0.13%	
Investing real estate	25,844,090.56	0.27%		0.00%	0.27%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	5,244,335,459.80	55.75%	4,907,575,469.84	53.98%	1.77%	
Construction in progress	154,668,358.96	1.64%	205,094,029.50	2.26%	-0.62%	
Short-term borrowings	873,261,856.02	9.28%	802,766,318.90	8.83%	0.45%	
Long-term borrowings	135,678,044.89	1.44%		0.00%	1.44%	

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB

Item	Opening amount	Gain/loss on fair value changes in current period	Cumulative fair value changes recorded into equity	Impairment provisions in current period	Purchased amount in current period	Sold amount in current period	Closing amount
Financial assets							
1. Financial assets measured at fair value of which changes are recorded into current gains/losses (excluding derivative	71,696,678.70				14,122,247.61	85,287,883.87	0.00

financial assets)							
Total of above	71,696,678.70	0.00	0.00	0.00	14,122,247.61	85,287,883.87	0.00
Financial liabilities	46,695,875.00	46,695,875.00	0.00	0.00			0.00

Significant changes in the measurement attributes of the main assets in the Reporting Period

□ Yes √ No

V. Investment analysis

1. Total investments

□ Applicable √ Not applicable

2. Significant equity investments made in the Reporting Period

□ Applicable √ Not applicable

3. Significant non-equity investments ongoing in the Reporting Period

□ Applicable √ Not applicable

4. Financial investments

(1) Securities investments

√ Applicable □ Not applicable

Unit: RMB

Variety of securities	Code of securities	Name of securities	Initial investment cost	Accounting measurement model	Opening book value	Gain/loss on fair value changes in current period	Cumulative fair value changes recorded into equity	Purchased in current period	Sold in current period	Gain/loss in current period	Closing book value	Accounting title	Source of funds
Domestic/overseas stock	01788	Guotai Junan International		Fair value method	27,576,964.80			0.00	25,043,754.02	-3,464,620.38	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	02883	COSL		Fair value method	13,692,542.85			6,086,510.22	22,867,472.11	2,625,954.60	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	00980	Lianhua Supermarket		Fair value method	10,872,439.58			4,200,914.08	15,581,759.97	141,190.60	0.00	Transactional financia	Own funds

												l asset	
Domestic/overseas stock	02006	Jinjiang Hotel		Fair value method	9,260,973.54			177,969.45	6,405,704.92	-3,346,026.66	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	00116	Chow Sang Sang		Fair value method	427,664.16			3,656,853.86	4,646,366.10	547,403.75	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	01666	Tong Ren Tong Technologies		Fair value method	3,197,426.40			0.00	4,013,381.74	707,962.54	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	200056	Wongtee B		Fair value method	2,180,215.80			0.00	1,772,069.80	-481,782.60	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	200058	Shenzhen SEG B		Fair value method	469,224.00			0.00	503,134.87	18,062.87	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	02355	Baoye Group		Fair value method	430,501.87			0.00	459,086.00	5,197.20	0.00	Transactional financial asset	Own funds
Domestic/overseas stock	00525	Guangshen Railway		Fair value method	2,756,272.05			0.00	2,767,422.38	-81,942.52	0.00	Transactional financial asset	Own funds
Other securities investments held at period-end			711,583.30	--	832,453.65			0.00	1,227,731.96	360,730.76		--	--
Total			76,176,261.25	--	71,696,678.70	0.00	0.00	14,122,247.61	85,287,883.87	-2,967,869.84	0.00	--	--
Disclosure date of board announcement on approval of securities investment													
Disclosure date of general meeting announcement on approval of securities													

investment (if any)	

(2) Investment in financial derivatives

√ Applicable □ Not applicable

Unit: RMB Ten thousand

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Amount purchased in Reporting Period	Amount sold in Reporting Period	Impairment provision (if any)	Closing investment amount	Proportion of closing investment amount in the Company's closing net assets (%)	Actual gain/loss in Reporting Period
Commercial bank	Non-related	No	Forward exchange settlement	79,386.21	26 Jan. 2015	30 Dec. 2016	79,386.21	43,629.6	123,015.81		0	0.00%	-2,266.81
Commercial bank	Non-related	No	Option portfolio	104,300	23 Jan. 2015	26 Dec. 2016	104,300	10,007.5	114,307.5		0	0.00%	-1,784.74
Total				183,686.21	--	--	183,686.21	53,637.1	237,323.31		0	0.00%	-4,051.55

Capital source for derivative investment	Own funds
Lawsuit (if applicable)	No lawsuits
Disclosure date of board announcement on approval of derivative investment (if any)	25 Apr. 2015
Disclosure date of general meeting announcement on approval of derivative investment (if any)	19 May 2016
Risk analysis and risk control measures for derivative products held in Reporting Period (including but not limited to market risk, liquidity risk,	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

credit risk, operation risk, legal risk, etc.)	analysis and prevention of possible risks such as risk of laws and regulations, credit risk, operation risk and market risk. 1. Risk concerning laws and regulations: The Company conducted derivatives products transaction in strict accordance with relevant laws and rules as well as regulatory policies from government securities regulatory authorities, 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 investment business, and strictly abided by relevant laws, regulations and the Company's internal management rules. 2. Credit risk and liquidity risk: When the contract matures, the Company couldn't deliver as scheduled due to insufficient liquidity, and the counterparty or the Company couldn't fulfill the contract due to other aspects except the liquidity, which would cause credit risk and further economic losses for the Company. Risk control measures: the Company chose the powerful financial institutions with good reputation as the counterparty, and signed standard derivative products transaction contract, as well as strictly controlled the credit risk of counterparty. The Company conducted derivative investment transactions 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 Investment of Lu Thai Textile Co., Ltd. and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions in 2015 approved at the 20th Session of the 7th Board of Directors on 23 Apr. 2015, and performed relevant information disclosure responsibilities. The Company decided the up limit for the amount of derivative products transaction according to the production and operation scale and the progress of foreign exchange income for the Company, and delivered by phases. It was also possible to use extension of term and other ways to ensure the fulfillment of contract as schedules upon the mature of contract, and wouldn't cause any loss of credit risk for the Company due to insufficient liquidity or other reasons. 3. Operation risk: The derivative financial transactions 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 departments, 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 business training and professional ethics education for them. Besides, it established the System of Reporting the Abnormal Situation Timely, formed an efficient risk management

	procedures, so as to ensure to lower the operation risks to the maximum. 4. Market risk: Since the RMB exchange rate reform on 8 Nov. 2015, the reform towards a market-based RMB exchange rate regime has stepped into a new stage. In the short run, there is some depreciation pressure on the RMB, but a sharp depreciation is considered unlikely. In the long run, the positive economic fundamentals of China, the large surplus of the current accounts and the faster globalization of the RMB will enable the RMB to remain a strong currency. In the near future, the RMB exchange rate is expected to be more flexible with a distinct feature of bidirectional volatility and stable within a rational and balanced range. The forward settlement of exchange and the option business is important derivative product transactions of the Company, which was significantly affected by the exchange rate fluctuation. If the RMB is devalued by a large margin on the basis of the current situation before the contract is due, so then, the larger losses shall incur in the contract on forward settlement of exchange or option signed by the Company. Risk control measures: Although a more flexible RMB exchange rate and the increased fluctuation range added to the operation difficulty, it provided a certain opportunity. Therefore, the relevant personnel of the Company will actively analyze market changes, carefully operate and hold positive opportunity, so as to try the best to reduce the market risks under the condition of increased market difficulty.
Changes in market prices or fair value of invested derivatives in Reporting Period (fair value analysis should include specific analysis methods as well as relevant assumptions and parameters)	1. Up to 31 Dec. 2016, the Company held by the derivatives was fully delivered. 2. From Jan. 2015 to Dec. 2016, the due financial derivative products of the Company totally equaled to USD 404.40 million, and the loss generated was RMB 40.5155 million. To be specific, the due forward settlement was USD188.90 million, generating loss of RMB 22.6681 million; and the due foreign exchange options equaled to USD215.50 million of which USD 189.50 million was delivered on time upon satisfaction of the delivery conditions, generating loss of RMB17.8474 million, and USD 26million was undelivered due to dissatisfaction of the delivery conditions.
Significant changes in the Company's accounting policy and specific accounting principles for derivatives in Reporting Period when compared to last period	No significant changes
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors Xu Jianjun, 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. Utilization of raised funds

□ 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. Main controlled and joint stock companies

√ Applicable □ Not applicable

Main subsidiaries and joint stock companies with an over 10% influence on the Company's net profits

Unit: RMB

Company name	Relationship with the Company	Main business	Registered capital	Total assets	Net assets	Operating revenues	Operating profits	Net profits
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	706,160,000.00	1,436,247,902.02	1,295,510,863.20	1,607,276,257.49	153,541,612.78	136,980,576.95

Subsidiaries obtained or disposed in the Reporting Period

□ Applicable √ Not applicable

Particulars about the main controlled and joint stock companies:

Lufeng Weaving & Dyeing Co., Ltd. (hereinafter called "Lufeng Weaving & Dyeing") is the holding subsidiary corporation of the Company. Registration place: Zibo, Shandong; registered capital: RMB 706.160 million. It was authenticated to be high-tech enterprise in October 2014, 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 2016, operation revenue of Lufeng Weaving & Dyeing was RMB 1.607 billion, increasing for 10.81% comparing with that of the last year. In another aspect, thanks to comprehensive budget management, costs control and RMB devaluation, net profit RMB 0.137 billion was achieved in 2016, increasing for 157.28% comparing with that of the last year.

VIII. Structured bodies controlled by the Company

□ Applicable √ Not applicable

IX. Outlook of the Company’s future development

1. Competition and development trends in the sector

At present, the global production capacity of high-ended dyed fabric is about 0.8 billion meters, which was the largest production base of yarn-dyed fabric. The pure cotton yarn-dyed fabric has characters of dyed fastness, clear striped weave, abundant color, comfort and strong gas permeability, which was always the main shell fabric of medium and high end shirts. In the recent years, accompanied with the increase of the domestic environmental protection stress, the increasingly improvement of the production factors and the guiding of the national transformation upgrade strategy, part of the low end and small scale yarn-dyed capacity which quit the market had been inexorable trend.

The yarn-dyed fabric falls into three categories, i.e. the top, the high-end, and the middle /low end, which have formed a triangular structure. To be specific, the top-grade yarn dyed fabric is mainly produced by few manufacturers in Italy, France, Germany, etc., and it mainly targets at the fashion and top-brand shirt market. The high-end yarn dyed fabric was characterized of high-density and high-counts, and delicateness after-finishing. Though inferior to the top-grade yarn dyed fabric in terms of the pattern design and fashion, it requires an advanced manufacturing technology and a high product quality, which does not differ much from the former.

In the long run, along with the recovery of the global economy, as well as improvement of urbanization, residents’ incomes and consumption in China, the market requirements of the future medium and high end yarn dyed fabric would constantly increase and at the same time would appear the tendency that the market concentrate towards to the medium and large enterprises.

2. Development strategies of the Company

China’s textile industry enjoys outstanding advantages in the world and mainly in the aspects such as the capital, technology and labor efficiency, and although the cost of the factor cost is increasing day by day, the prominent comprehensive advantage of China’s textile industry remains unchanged. The Company is a large textile enterprise that boasts a complete industrial chain from cotton planting, yarning, dyeing, weaving and post-processing to cloth manufacturing. It is the largest production base for dyed textile for shirts in the world. Now, it has developed three series textiles for shirts, including pure cotton, cotton and natural fiber, and cotton and functional fiber mixture. At present, the Company has speeded up the integration of internationally advantageous resources while promoting the upgrading of Luthai manufacturing to Luthai creation as well as improving its product quality and increasing its production efficiency. This helps realize a reasonable layout for the Company’s international capacity, further improves its internationalization, and maintains its outstanding edges in global dyed materials for shirts. In terms of brand, the Company will carve out a new marketing mode through the Internet and mobile terminals, and continuously enhance high-end shirt custom service, to balance the development of domestic and international markets. Also, the Company will increase its investment in technology R&D, design and energy saving & emission reduction, to offer more green and low-carbon products to the market.

3. Operating plan (The contents set forth herein do not form any commitment of the Company.)

(1) As for the Company government: The Company will strengthen the system construction of the enterprise internal control, constantly perfect the organization structure and the legal person government structure as well as the prevention mechanism of the risks, and guarantee the Company to realize the healthy, stable and sustainable development in the system level.

(2) As for the market expansion: The Company will adhere to the philosophy of attaching equal importance to both the domestic and overseas markets, vigorously conduct activities for the “Year for Market Service Improvement”, proactively expand emerging markets on the basis of stabilizing the existing markets, further enlarge the domestic market share, and promote a balanced development of the domestic and overseas markets.

(3) As for the enterprise management: The Company will follow the guideline of improving its product quality and increasing its production efficiency, refine management responsibility, deepen promoting excellent performance management mode in all-round, carry forward LTPS, further deepen and refine comprehensive budget management, and keep pushing forward management upgrading.

(4) As for the brand construction: The Company will make great efforts to promote the innovation marketing mode, gain more customers with quality and service, further optimize resource allocation as well as perfect the integration of the online and offline marketing mode. Depend on the internet and the mobile terminal means, provide the advanced customization service and satisfy the individual needs of the market.

(5) Concerning global planning, the Company will let Lu Thai Milan and Lu Thai America play their roles in market expansion, design and R&D, customer service, talent cultivation, etc. so as to increase the proportion of independently designed products in the total sales. It will push forward the construction of its production bases in Southeast Asia step by step, integrate its resources at home and abroad and avoid potential trade barriers to enlarge its international production scale and maintain a leading position in the global yarn-dyed industry.

4. Fund demand, source and using plan

During the Reporting Period, the Lu Thai (Vietnam) Textile Co., Ltd. of 30-million-meter yarn-dyed fabric/year production lines Phase I project has been put into operation, and the project is going on as planned. At present, the Company is also preparing to incorporate a garment factory in Vietnam (Lu An Garments Co., Ltd.) with a designed annual capacity of 6 million pieces of shirts. The funds for the aforesaid projects all come from the self-owned and self-raised funds of the Company.

5. Risk of reverse effect and countermeasures for the Company to achieve development strategy and business goal

(1) Economic environment impact: Compact of persistence of slow resurging of developed economic entity market and domestic industrial structure deep adjustment on the whole consumption market may possibly cause uncertain for market environment of the Company, and that may possibly influence on increase of oversees sales. The Company will try the best to stabilize the domestic and international market and actively expand domestic market at the same time, to achieve a balanced development between domestic and foreign sales.

(2) As the cost for production elements in China increases day by day, and the processing trade for textile garment especially garment processing has been transferred to countries in southeastern Asia, it seems to be a must for top textile enterprise to go abroad. The Company will, based on its comprehensive research on production elements, promote the comprehensive utilization of internationally advantageous resources to create a reasonable layout for processing bases.

(3) The Company mainly uses long-staple cotton as its raw materials, whose price may be affected by market supply-demand, climate, policy, exchange rate and quota. In 2016, when the government's cotton quota policy stayed unchanged, the cotton cost will be mainly affected by domestic market. Therefore, except ensuring stable supply of long-staple cotton from Xinjiang subsidiary, the Company must carefully study on market developments, and make every effort to reduce the influences of raw material price fluctuation on its business performance, through actively effective manners and methods.

(4) Change of exchange rate: at present and in the future for a long time, products of the Company are mainly exported to the international market, and sales income mainly settled with USD; meanwhile, major equipment used in the Company was imported, part foreign exchange paid for import was not USD. And the overseas production bases of the Company make it more sensitive to exchange rate changes.

In short term, with the subsequent influence of FED interest rate rise, separation of UK from EU and the depressing economic recovery of the economic entities of Europe and Japan, RMB-US dollar exchange rate still faces certain devaluation pressure. In middle and long term, basic economy of China is promising; favorable balance of trade is high; and foreign exchange reserve is sufficient. RMB has no basis of devaluation. At the same time, RMB has been formally demanded in SDR RMB assets configuration, which will contribute to the improvement of supply and demand in foreign exchange market. The series of factors will support RMB to maintain stable at reasonable and balanced level.

In order to reduce adverse influence of exchange rate fluctuation, the Company adopted the following measures: firstly, the Company proactively conducted foreign exchange hedging, using forward FX sales and purchase, forward foreign exchange trading and option portfolios to avoid some risks as well as making reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Secondly, the Company actively adjusted the Renminbi and foreign-currency liabilities structure to control financial costs. Thirdly, 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. Fourthly, the Company tried to settle with its customers in Renminbi whenever was possible.

X. Visits paid to the Company for purposes of research, communication, interview, etc.

1. In the Reporting Period

√ Applicable □ Not applicable

Date	Way of visit	Type of visitor	Main inquiry information
2016-03-30	By phone	Institution	About basic information of the Company
2016-04-27	By phone	Institution	Ditto
2016-05-20	One-on-one meeting	Institution	Ditto
2016-08-31	By phone	Institution	Ditto

Times of visit	8
Number of visiting institutions	30
Number of visiting individuals	0
Number of other visiting entities	1
Significant undisclosed information disclosed, revealed or leaked	No

Section V Significant Events

I. Profit distribution to the common shareholders & increase of the share capital from the capital reserves

Formulation, execution or adjustments of the profit distribution policy for the common shareholders, especially the cash dividend policy, in the Reporting Period

□ Applicable √ Not applicable

Profit distribution plans (or preliminary plans) for the common shareholders and plans (or preliminary plans) for turning capital reserves into share capital for the recent three years (including the Reporting Period)

1. The 2016 annual profit allocation pre-plan reviewed and approved at the 5st Session of the 8th Board of Directors:

Based on the total 922,602,311 shares on December 31, 2016, the Company is to distribute a cash dividend of RMB5.00 for every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be conversed to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the 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*).

Based on the 922,602,311 shares, the Company should distribute a cash dividend of RMB5.00 per 10 shares. The aforesaid profit distribution plan is subject to the final approval of the 2016 annual meeting of shareholders.

2. The 2015 annual profit allocation pre-plan reviewed and approved at the 31th Session of the 7th Board of Directors:

By December 31 of 2015, (the total shares of 954,407,896as at 31 Dec. 2016 minus the 1,350,600 B-shares repurchased in the year), the Company is to distribute a cash dividend of RMB5.00 distributed for every 10 shares (including tax). The individual income tax for Share A was subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be conversed to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax was free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders were 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*).

In the profit distribution, 24,707,749 repurchased but not yet canceled shares in the special account for repurchased shares on the book closure date were excluded. As such, the Company actually distributed RMB 465,525,373.50 dividends for 2015. The aforesaid profit distribution plan was implemented in Jun. 2016 after being reviewed and approved by the Shareholders' General Meeting 2015 held on 29 Apr. 2016.

3. 2014 profit distribution plan has been approved on the 19th session of the 7th board meeting: By December 31 of 2014, the Company's registered capital is based on 95,575.8496 shares, with RMB5.00 distributed for every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be conversed to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the 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*).

Based on the above distribution plan, the Company actually distributed RMB 477,879,248.00 dividends. Such plan was implemented in Jun. 2015 after the review and approval on 2014 shareholder's meeting convened on 21 May 2015.

Cash dividends distributed to the common shareholders in the recent three years (including the Reporting Period)

Unit: RMB

Year	Cash dividend (tax included)	Net profits attributable to shareholders of the Company in consolidated statements	Proportion in net profits attributable to shareholders of the Company in consolidated statements (%)	Cash dividend in other forms	Ratio of cash dividend in other forms
2016	461,301,155.50	805,446,326.99	57.27%	0.00	0.00%
2015	465,525,373.50	712,193,243.19	65.37%	0.00	0.00%
2014	477,879,248.00	958,725,402.84	49.85%	0.00	0.00%

The Company made profits in the Reporting Period and the profits distributable to the common shareholders of the Company was positive, but it did not put forward a preliminary plan for cash dividend distribution:

□ Applicable √ Not applicable

II. Preliminary plan for profit distribution and turning capital reserves into share capital for the Reporting Period

√ Applicable □ Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax included)	5.00
Increased shares for every 10 shares (share)	0
Total shares as basis for preliminary distribution plan (share)	922,602,311
Total cash dividends (RMB) (tax included)	461,301,155.50
Distributable profits (RMB)	3,451,836,174.44
Percentage of cash dividends in total distributed profits (%)	100.00%
About cash dividends	
If the Company is in a growth stage and has any plan for significant expenditure, in profit distribution, the proportion of cash dividends shall be 20% or above.	
Details about preliminary plan for profit distribution and turning capital reserves into share capital	
Based on the 922602,311 shares, the Company is to distribute a cash dividend of RMB5.00 for every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be conversed to HKD based on the central parity rate on interbank	

exchange market released by the People's Bank of China on the 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*). Based on the 922,602,311 shares, a total of RMB 461,301,155.50 shall be paid out as dividends, and the retained profits shall be carried forward to the future. Such plan may only be implemented after the review and approval on 2016 shareholder's meeting.

III. Fulfillment of commitments

1. Commitments of the Company, its shareholders, actual controller, acquirer, directors, supervisors, senior management staff or other related parties fulfilled in the Reporting Period or ongoing at the period-end

√ Applicable □ Not applicable

Commitment	Commitment maker	Type of commitment	Contents	Date of making commitment	Period of commitment	Fulfillment
Commitments made in share reform						
Commitments made in acquisition reports or reports on equity changes						
Commitments made in asset reorganization						
Commitments made in IPO or refinancing						
Commitments concerning stock ownership incentive						
Other commitments made to minority shareholders	Zibo Lucheng Textile Investment Co., Ltd. and directors, supervisors and senior executives of the Company	Other commitment	The biggest shareholder Zibo Lucheng Textile Investment Co., Ltd. and the directors, supervisors and senior executives of the Company committed that the shares of the Company held by them would not be	10 Jul. 2015	10 Jul. 2015 to 10 Jan. 2016	Up to 10 Jan. 2016, Zibo Lucheng Textile Investment Co., Ltd. and the directors, supervisors and senior executives of the Company did not reduce their shareholdings in the Company. As such, the

			decreased within the six months starting from 10 Jul. 2015.			commitment has been fulfilled.
Executed on time	Yes					
Specific reasons for failing to fulfill commitments on time and plans for next step	Not applicable					

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 funds for non-operating purposes by the controlling shareholder or its related parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

V. Explanations given by the Board of Directors, the Supervisory Committee and the independent directors (if any) regarding the "non-standard auditor's report" issued by the CPAs firm for the Reporting Period

□ Applicable √ Not applicable

VI. YoY changes in the accounting policy, estimation and methods

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VII. Retrospective restatement due to correction of material accounting errors in the Reporting Period

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII. YoY changes in the consolidation scope

√ Applicable □ Not applicable

During this Reporting Period, the Company set up wholly-owned subsidiary Lu An Garments Co., Ltd. and canceled subsidiary Beijing Lufeng Sunshine Garments Co., Ltd.

IX. Engagement and dismissal of the CPAs firm

The CPAs firm at present

Name of domestic CPAs firm	Ruihua Certified Public Accountants (LLP)
Remuneration of domestic CPAs firm (RMB ten thousand)	158.5
Consecutive years of audit services provided by domestic CPAs firm	4
Name of certified public accountants from domestic CPAs firm	He Feng, Cui Xiaoli

The CPAs firm changed in the current period or not

□ Yes √ No

CPAs firm, financial accountant or sponsor engaged for internal control audit

√ Applicable □ Not applicable

On 28 Mar. 2016, the Company held the 31th Session of the 7th Board of Directors, which reviewed and approved the Proposal on Engaging Ruihua Certified Public Accountants (LLP) as the 2016 Financial Report and Internal Control Auditor. The Company paid RMB435,000 in total for the internal control audit.

X. Listing suspension or termination after the disclosure of this Report

□ Applicable √ Not applicable

XI. Bankruptcy & reorganization

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII. Significant litigations and arbitrations

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII. Punishments and rectifications

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIV. Credit conditions of the Company as well as its controlling shareholder and actual controller

□ Applicable √ Not applicable

XV. Implementation of any equity incentive plan, employee stock ownership plan or other incentive measures for employees

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Related-party transactions regarding the purchase or sale of assets or equity interests

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Related-party transitions regarding joint investments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Credits and liabilities with the related parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Other significant related-party transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVII. Significant contracts and execution

1. Entrustment, contracting and leasing

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contract

□ Applicable √ Not applicable

There was no any contract of the Company in the Reporting Period.

(3) Lease

□ Applicable √ Not applicable

There was no any lease of the Company in the Reporting Period.

2. Significant guarantee

√ Applicable □ Not applicable

(1) Guarantees provided by the Company

Unit: RMB Ten Thousand Yuan

Particulars on external guarantee of the Company and its subsidiaries (excluding guarantees for subsidiaries)								
Name of guarantee object	Date of disclosure of relevant announcements on guarantee limit	Guarantee limit	Date of making guarantee (date of signing agreement)	Actual amount of guarantee	Type of guarantee	Guarantee period	Whether the guarantee has been fulfilled	Whether guaranteeing for related parties
Particulars about guarantee of the Company for subsidiaries								
Name of guarantee object	Date of disclosure of relevant announcements on guarantee limit	Amount of guarantee	Date of making guarantee (date of signing agreement)	Actual amount of guarantee	Type of guarantee	Guarantee period	Whether the guarantee has been fulfilled	Whether guaranteeing for related parties
Lufeng Weaving & Dyeing Co., Ltd.	10 Dec. 2014	25,000	9 Dec. 2014	0	Guarantee of joint and several liability	Three year since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	27 Aug. 2015	36,681.6	26 Aug. 2015	8,703.62	Guarantee of joint and several	Two years since the approval of	No	Yes

					liability	the board of the Company		
Lufeng Weaving & Dyeing Co., Ltd.	25 Feb. 2016	47,025	24 Feb. 2016	0	Guarantee of joint and several liability	Six year since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 Feb. 2016	22,908.2	24 Feb. 2016	2,817.67	Guarantee of joint and several liability	Since the approval of the board of the Company to revoke, amend or replace the new resolution of the resolution	No	Yes
Total amount of approved guarantee for subsidiaries during the Reporting Period (B1)		69,933.2		Total amount of actual guarantee for subsidiaries during the Reporting Period (B2)		20,755.98		
Total amount of approved guarantee for subsidiaries at the end of the Reporting Period (B3)		131,614.8		Total amount of actual guarantee for subsidiaries at the end of the Reporting Period (B4)		20,755.98		
Guarantees provided by subsidiaries for subsidiaries								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Xinjiang Lu Thai Textile Co., Ltd.	28 Oct. 2016	20,000	26 Oct. 2016	5,000	Guarantee of joint and several liability	12 months	No	Yes
Total guarantee line approved for the subsidiaries during the Reporting Period (C1)		20,000		Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)		20,000		

Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (C3)	20,000	Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (C4)	5,000
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)			
Total guarantee line approved during the Reporting Period (A1+B1+C1)	89,933.2	Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)	40,755.98
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)	151,614.8	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	25,755.98
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company		2.05%	
Of which:			
Amount of guarantee provide for shareholders, actual controller and related parties (D)		0	
Amount of guarantee provided directly or indirectly for guarantee objects with asset-liability ratio reaching over 70% (E)		0	
Balance between 50% of net assets and total amount of guarantee which exceeds 50% of net assets (F)		0	
Sum total of the above three guaranteed amounts (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 9 Dec. 2014 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.	

Explanations about guarantees provided with complex methods

(2) Particulars about illegal external guarantee

□ Applicable √ Not applicable

There was no particular about illegal external guarantee of the Company in the Reporting Period.

3. Cash assets management entrustment

(1) Wealth management entrustment

□ Applicable √ Not applicable

No such situation of the Company during the Reporting Period.

(2) Entrustment loans

□ Applicable √ Not applicable

No such situation of the Company during the Reporting Period.

4 Other significant contracts

□ Applicable √ Not applicable

No such situation of the Company during the Reporting Period.

XVIII. Social responsibilities

Perform the social responsibility of targeted poverty alleviation

√applicable □Not applicable

(1) Annual targeted poverty alleviation overview

In 2016, the Company continuously subsidized educational cause and poor students in poor areas and continuously carried out social poverty alleviation. In this year, the Company will continuously subsidize poor employees, support poor villages and help poor employees to solve practical difficulties. Holding subsidiary corporation of the Company Xinjiang Lu Thai Harvest Cotton Co., Ltd. (“Xinjiang Lu Thai”) contributed RMB 0.0563 million to 10 local poor college students for continuing their school work and contributed RMB 0.0947 million for raising the level of local preschool education and compulsory education. The two poverty alleviation plans have been completed on time.

(2) Annual targeted poverty alleviation of listed company

Index	Unit	Amount / progress information
I. Overall conditions	——	——
In which: 1. funds	Ten thousand yuan	91.9
II. Sub-item contribution	——	——
1.Get rid of poverty in industrial development	——	——
2.Get rid of poverty in employment transfer	——	——
3.Get rid of poverty in relocation	——	——
4.Get rid of poverty in education	——	——
In which: 4.1 Amount of contribution in subsidizing poor students	Ten thousand yuan	5.63
4.2 The number of poor students subsidized	Person	10

4.3 Amount of contribution for improving education resource in poor areas	Ten thousand yuan	39.47
5. Poverty alleviation for health	——	——
6. Poverty alleviation for ecological protection	——	——
7. Basic subsidy	——	——
8. Social poverty alleviation	——	——
8.2 Amount of contribution for targeted poverty alleviation	Ten thousand yuan	46.8
9. Other items	——	——
III. Awards (contents and grade)	——	——

(3) Subsequent targeted poverty alleviation plan

In 2017, the Company will continuously subsidize educational cause and poor students in poor areas and help poor employees to solve practical difficulties through targeted poverty alleviation.

2. Perform other social responsibilities

The Company has formulated 2016 report of social responsibility. For details, please refer to the *Report of Social Responsibility* released while 2016 annual report was issued.

Whether the listed company and its subsidiary corporations are the key pollution discharge units promulgated by Department of Environmental Protection

The Company and its domestic and foreign subsidiary corporations lay emphasis on environmental protection and achieve sustainable development from source. In 2015, the Company got the title “national water-saving benchmarking enterprise” from Ministry of Industry and Information Technology of the People's Republic of China and Ministry of Water Resources and was awarded as “outstanding energy-saving enterprise of Shandong”. The Company constantly perfects the systems of environmental protection, makes and perfects environmental contingency plan, organizes emergency exercise, normalizes environmental protection procedures, actively carries out the research on and application of new technology, new materials and new equipment, continuously improves environment performance of the Company and enhances international competitiveness of products of the Company

I. Domestic implementation of environmental protection

Facing domestic and foreign increasingly strict environmental protection standards and requirement of customers, the Company is focusing on investing, reforming and managing the facilities of pollution treatment. The discharge indexes of main pollutants in printing and dyeing sewage shall be better than the indexes required in *Quality Standards of Sewage Discharged into Sewer of Cities and Towns* CJ343-2010. Sewage will be discharged into Zibo Limin Cleansing Water Co., Ltd. and the quality standard of output water will be higher than the standard at national first-grade A. Main pollutants will be discharged reaching standard. In 2016, the Company intensified disposal of water pollution and invested more than RMB 5 million to reform sewage treatment station. Total discharge amount of water pollution COD decreases year by year. Total discharge amount of COD approved is 3505 tons. The discharge amount of COD was 912.31 tons in 2016, decreasing for 24.97% comparing with that in 2015. In 2017, the Company will further implement comprehensive reconstruction engineering for water pollution treatment. Indexes of water pollution will decline largely and the regional ecological environment will be improved.

According to the requirement of national policy *Water Pollution Control Action Plan* and considering the current lack of water resource, the Company had completed recycled water utilization project. In 2016, 15 thousand tons of recycled water could be supplied every day. The recycled water was used in dyeing of the Company and power generation. In this way, water resource could be cyclically utilized. The quality indexes of the recycled water are better than those of the water for dyeing of the Company.

To improve surrounding air environment of the enterprise, the Company treats peculiar smell at sewage station and exhaust gas generated from dyeing of the Company. More than RMB 13 million was invested in accumulation in the last year. The quality of surrounding environment has been significantly improved and the level of occupational health and safety in work site has been significantly raised.

The main pollutants of wholly-owned subsidiary Xinsheng Thermal Power Co., Ltd. are sulfur dioxide, nitric oxide and smoke (dust). Pollution discharge standard: sulfur dioxide 200mg/m^3; nitric oxide 200mg/m^3; smoke (dust) 20mg/m^3. Actual discharge is less than the standard. Total discharge of the whole year: sulfur dioxide 208.337 tons, nitric oxide 586.924 tons, smoke (dust) 41.058 tons. The Company invested RMB 80 million to construct "super-low discharge engineering" from September 2015. The first part and second part of the engineering were put into operation in March 2016 and October 2016, respectively. At the same time, low-nitrogen combustion technology reform has been almost completed.

In environmental protection management, the Company actively carries forward Cleaning Production and well does the work of environmental protection in the mode of managing source, controlling process and treating the terminal. According to *Method of Environment Information Publicity (Trial Implementation)*, the index of main pollutants detected shall be uploaded to the website of environmental protection agency of Zibo every month for publicity.

II. Overseas subsidiary companies' environmental protection implementation

The sewage treatment project of Lu Thai (Vietnam) Textile Co., Ltd. mainly treats the production sewage and sanitary sewage in local area. RMB 26 million was invested in the first part of the project. It was put into operation on August 20, 2016. Daily sewage treatment amount could be 1500 tons. Water quality was better than that stipulated in QCVN40: 2011/BTNMT grade A of Vietnam. In plan, the second part of the project will be completed in 2017, including project construction, installation and debugging, and stable operation. The Company will reach the standard of sewage discharge, well do the work of environmental protection and help to achieve sustainable development of the region.

Main pollutants in sewage (specially monitored by Vietnam) include: Chemical Oxygen Demand (COD), chrominance, ammonia nitrogen (NH3-N) and Total Phosphorus (TP). In 2016, the quality of water discharged reached grade-A discharge standard of *Vietnam Regulations on Industrial Water Discharge Parameters* (QCVN40: 2011/BTNMT) without exceeding standard. Total weight of sewage discharged was 60 thousand tons in 2016. Chemical Oxygen Demand (COD): 2.316 tons; ammonia nitrogen (NH3-N): 57kg; Total Phosphorus (TP): 7.8kg.

Whether release the report of social responsibility:

√ yes □ No

Report of enterprise's social responsibility					
Enterprise property	Whether containing environment information	Whether containing social information	Whether containing treatment information	Standard of report reveal	
				Domestic standard	Overseas standard
Other	Yes	Yes	Yes	Refer to CSC9000T	SA8000

Detailed explanation:

1. Whether the Company has passed the authentication of environment management system (ISO14001)	Yes
2. Annual amount of investment in environmental protection (ten thousand yuan)	2,381.66
3. "Waste gas, waste water, industrial residue" emission reduction performance of the Company	In 2016, more than 5120 thousand yuan was saved through implementing energy-saving and water-saving project; energy

		consumption for production value per ten-thousand yuan declined for 2.44%
4.	Investment of the Company in enhancing employees' vocational development ability, knowledge and skills (ten thousand yuan)	564.52
5.	Among of social charitable donations (fund, materials, free professional service) of the Company (ten thousand yuan)	155.87

XIX. Other significant events

□ Applicable √ Not applicable

No other significant events of the Company during the Reporting Period.

XX. Significant events of subsidiaries

□ Applicable √ Not applicable

Section VI. Change in Shares & Shareholders

I. Changes in shares

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	119,398,490	12.49%				-23,250	-23,250	119,375,240	12.94%
3. Shares held by other domestic corporations	1,166,090	0.12%				-23,250	-23,250	1,142,840	0.12%
Shares held by domestic natural persons	1,166,090	0.12%				-23,250	-23,250	1,142,840	0.12%
4. Shares held by foreign investors	118,232,400	12.37%						118,232,400	12.82%
Among which: Shares held by foreign corporations	118,232,400	12.37%						118,232,400	12.82%
Shares held by foreign natural persons	836,360,006	87.51%				-33,132,935	-33,132,935	803,227,071	87.06%
II. Non-restricted shares	560,799,210	58.68%				23,250	23,250	560,822,460	60.79%
1. Renminbi ordinary shares	275,560,796	28.83%				-33,156,185	-33,156,185	242,404,611	26.27%
2. Domestically listed foreign shares	955,758,496	100.00%				-33,156,185	-33,156,185	922,602,311	100.00%

Reasons of changes in shares

√ Applicable □ Not applicable

Because of employing senior managers and adjusting senior managers' shares of Shenzhen branch of China Securities Depository and Clearing Corporation Limited, 23,250 shares of "limited sales condition shares-domestic natural person holding" of the Company decreased.

The Company held the first extraordinary shareholders meeting of 2015 on August 5, 2015. *Proposal for Buying Back Some A Shares and B Shares of the Company* was passed at the meeting. On October 10, 2015, *Report of Buying Back Some A Shares and B Shares of the Company* was promulgated. For details, please refer to the announcement (No.: 2015-029) and report of buying back shares released on www.cninfo.com.cn on August 6, 2015 and October 10, 2015. The Company began implementing the scheme of buying back shares from November 10, 2015. By August 4, 2016, 33156.185 thousand B shares had been bought back. In addition, the shares were canceled by Shenzhen branch of China Securities Depository and Clearing Corporation Limited on August 22, 2016.

Approval of share changes

√ Applicable □ Not applicable

The Company held the first extraordinary shareholders meeting of 2015 on August 5, 2015. *Proposal for Buying Back Some A Shares and B Shares of the Company* and *Proposal for Authorizing Board of Directors to Buy Back Some A Shares and B Shares of the Company* were passed at the meeting. For example, Board of Directors would formulate concrete scheme of buying back the shares, make, supplement, modify, sign and declare documents, implement the scheme of buying back the shares, cancel the shares bought back and correspondingly modify *Articles of Company* according to actual implementation of buying back. The Company began implementing the scheme of buying back shares from November 10, 2015. By August 4, 2016, 33156.185 thousand B shares had been bought back. In addition, the shares were canceled by Shenzhen branch of China Securities Depository and Clearing Corporation Limited on August 22, 2016.

Transfers in share changes

□ Applicable √ Not applicable

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net assets per share belonging to shareholder with ordinary share

□ Applicable √ Not applicable

Other contents that the Company thinks necessary or is asked by securities regulators to be disclosed

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Name	Number of the restricted shares at the period-begin	Number of the restricted shares unlocked during the Reporting Period	Number of the restricted shares increased during the Reporting Period	Number of the restricted shares at the period-end	Reason	Unlocked date
Qin Guiling (Lu Thai A)	35,242	1,311		33,931	Locked the shareholding of the Senior Executives	6 months after the departure
Lv Yongchen (Lu Thai A)	33,750	8,438		25,312	Locked the shareholding of the Senior Executives	6 months after the departure
Wang Changzhao (Lu Thai A)	33,750	8,438		25,312	Locked the shareholding of the Senior Executives	6 months after the departure

Wang Fangshui (Lu Thai A)	45,000	5,625		39,375	Locked the shareholding of the Senior Executives	6 months after the departure
Zhang Jianxiang (Lu Thai A)	27,750	6,938		20,812	Locked the shareholding of the Senior Executives	6 months after the departure
Zhu Lingwen (Lu Thai A)			7,500	7,500	appointed by the 8th board of Directors as the Senior Executives	6 months after the departure
Total	175,492	30,750	7,500	152,242	--	--

II. Issuance and listing of securities

1. Issuance of securities (excluding preferred stock) in Reporting Period

□ Applicable √ Not applicable

2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

√ Applicable □ Not applicable

The Company held the first extraordinary shareholders meeting of 2015 on 5 Aug .2015. *Proposal for Buying Back Some A Shares and B Shares of the Company* and *Proposal for Authorizing Board of Directors to Buy Back Some A Shares and B Shares of the Company* were passed at the meeting. For example, Board of Directors would formulate concrete scheme of buying back the shares, make, supplement, modify, sign and declare documents, implement the scheme of buying back the shares, cancel the shares bought back and correspondingly modify *Articles of Company* according to actual implementation of buying back. The Company began implementing the scheme of buying back shares from 10 Nov. 2015. By 4 Aug. 2016, 33156.185 thousand B shares had been bought back. In addition, the shares were canceled by Shenzhen branch of China Securities Depository and Clearing Corporation Limited on 22 Aug. 2016.

3. Existent shares held by internal staffs of the Company

□ Applicable √ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number	72,743	Total number of	70,414	Total number of	0	Total number of	0

of shareholders at the Reporting Period		shareholders on the 30th trading day before the disclosure date of the annual report		preferred stockholder with vote right restored (if any) (see notes 8)		preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report (if any) (see notes 8)	

Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholders	Holding percentage (%)	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned corporation	15.21%	140,353,583	0		140,353,583		
Tailun (Thailand) Textile Co., Ltd.	Foreign corporation	12.82%	118,232,400	0	118,232,400			
Central Huijin Assets Management Co., Ltd.	State-owned corporation	2.20%	20,315,300	0		20,315,300		
T.Rowe Price Intl Discovery Fund	Foreign corporation	2.16%	19,948,219	975601		19,948,219		
China Securities Finance Corporation Limited	State-owned corporation	1.70%	15,679,091	0		15,679,091		
Lynas Asia Fund	Foreign corporation	1.35%	12,440,000	-3224475		12,440,000		
BNP Paribas	Foreign corporation	0.88%	8,131,797	8132797		8,131,797		
Hua'an New Silk Road Theme Equity Securities Investment Fund	Domestic Non-stated-owned corporation	0.78%	7,200,000	-2910000		7,200,000		

HTHK-Manulife China Value Fund	Foreign corporation	0.74%	6,858,138	6858138		6,858,138		
Everbright Pramerica advantage configuration mixed securities investment fund	Domestic non-stated-owned corporation	0.71%	6,553,667	6553667		6,553,667		
Particulars about strategic investors or common legal persons who became the top ten shareholders because of the issuance of additional shares (if any) (Notes 3)		N/A						
Explanations about associated relationship or concerted action among the above 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 circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.						

Shareholdings of the top ten shareholders not subject to trading moratorium			
Name of shareholders	Name of shareholders	Type of shares	
		Type	Amount
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB common shares	140,353,583
Central Huijin Assets Management Co., Ltd.	20,315,300	RMB common shares	20,315,300
T.Rowe Price Intl Discovery Fund	19,948,219	Domestically listed foreign shares	19,948,219
China Securities Finance Corporation Limited	15,679,091	RMB common shares	15,679,091
Lynas Asia Fund	12,440,000	Domestically listed foreign shares	12,440,000
BNP Paribas	8,131,797	RMB common shares	8,131,797
Hua’an New Silk Road Theme Equity Securities Investment Fund	7,200,000	RMB common shares	7,200,000
HTHK-Manulife China Value Fund	6,858,138	Domestically listed foreign shares	6,858,138

Everbright Pramerica advantage configuration mixed securities investment fund	6,553,667	RMB common shares	6,553,667
RBC Emerging Markets Small Cap Equity Fund	6,428,684	Domestically listed foreign shares	6,428,684
Explanation about associated relationship and concerted action among the top ten shareholders not subject to trading moratorium as well as between the top ten shareholders not subject to trading moratorium and the top ten 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 circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.		
Particulars about the top 10 common shareholders participating in margin trading (if any) (Notes 4)	N/A		

Did any shareholder of the Company carry out an agreed buy-back in the Reporting Period?

□ Yes √ No

No shareholder of the Company carried out any agreed buy-back in the Reporting Period.

2. Particulars about controlling shareholders of the Company

Nature of controlling shareholder: community collective holding

Type of controlling shareholder: corporation

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
Zibo Lucheng Textile Investment Co., Ltd.	Liu Deming	25 Sep. 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			

Changes in controlling shareholders during the Reporting Period

□ Applicable √ Not applicable

There was no change in controlling shareholders during the Reporting Period of the Company.

3. Particulars about the actual controller

Nature of actual controller: domestic nature person

Type of actual controller: nature person

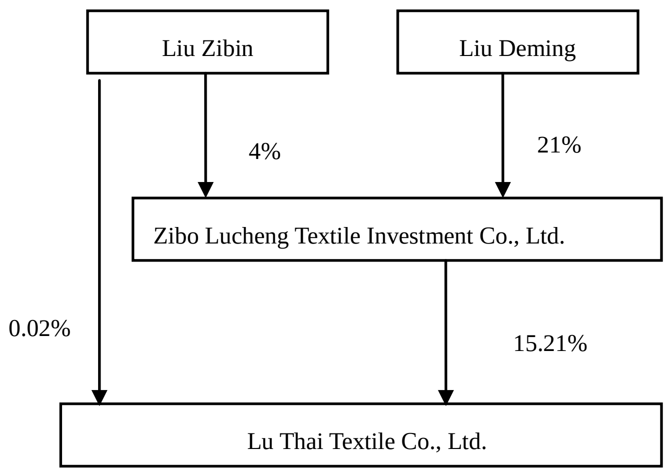
Name of the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
Liu Zibin	China	No
Liu Deming	China	No
Professions and titles over the past five years	Liu Zibin is the Chairman of the Board and GM of Lu Thai Textile Co., Ltd. , Liu Deming is the Chairman 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	

Changes in the actual controller during the Reporting Period

√ Applicable □ Not applicable

Name of the actual controller	Liu Zibin, Liu Deming
Date of change	30 Sept, 2016
Index to the disclosed	Announcement on the Resolution of the Meeting (No.: 2016-042) disclosed on Securities Times, Ta Kung Pao, Shanghai Securities News and http://www.cninfo.com.cn
Disclosure date	12Oct. 2016

Block diagram of property rights and controlling relationship between the Company and the actual controller



The actual controller controls the Company in the means of entrustment or other means of assets management

□ Applicable √ Not applicable

4. Particulars about other corporate shareholders with shareholding proportion over 10%

√ Applicable □ Not applicable

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Registered capital	Mainly engaged in business or management activities
Tailun (Thailand) Textile Co., Ltd.	Xu Zhinan	29 Jan.1985	6 baht (Thai)	6 baht (Thai)

5. Particulars about restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities

□ Applicable √ Not applicable

Section VII. Preference Shares

□ Applicable √ Not applicable

There was no preferred stock during Reporting Period.

Section VIII. Directors, Supervisors, Senior Management Staff & Employees

I. Changes in shareholding of directors, supervisors and senior management staff

Name	Title	Incumbent or not	Gender	Age	Starting date of office term	Closing date of office term	Shares held at the beginning the Reporting Period (share)	Increase of shares in this Reporting Period (share)	Decrease of shares in this Reporting Period (share)	Other increase/decrease changes (share)	Shares held at the end of the Reporting Period (share)
Liu Zibin	Chairman of the Board/GM	Incumbent	Male	52	6 Jun. 2007	5 Jun. 2019	148,290				148,290
Xu Zhinan	Vice Chairman of the Board	Incumbent	Male	87	6 May 2004	5 Jun. 2019					
Fujiwara Hidetoshi	Director/ Senior Consultant	Incumbent	Male	77	7 May 1998	5 Jun. 2019					
Chen Ruimou	Director	Incumbent	Male	73	16 Apr. 2000	5 Jun. 2019					
Zeng Facheng	Director	Incumbent	Male	66	6 Jun. 2007	5 Jun. 2019					
Wang Fangshui	Director/ Vice GM/Chief Engineer	Incumbent	Male	56	7 May 1998	5 Jun. 2019	146,753				146,753

Qin Guiling	Director/ Vice GM /Secretary to the Board	Incumbent	Female	51	7 May 1998	5 Jun. 2019	107,042				107,042
Zhang Hongmei	Director/ Chief Accountant	Incumbent	Female	47	6 Jun. 2007	5 Jun. 2019	92,500				92,500
Xu Jianjun	Independent Director	Incumbent	Male	43	6 Jun. 2013	5 Jun. 2019					
Zhao Yao	Independent Director	Incumbent	Male	47	19 Sep. 2014	5 Jun. 2019					
Bi Xiuli	Independent Director	Incumbent	Female		6 Jun. 2016	5 Jun. 2019					
Pan Ailing	Independent Director	Incumbent	Female		6 Jun. 2016	5 Jun. 2019					
Wang Xinyu	Independent Director	Incumbent	Male		6 Jun. 2016	5 Jun. 2019					
Li Tongmin	Supervisory Board Chairman	Incumbent	Male	61	19 Sep. 2014	5 Jun. 2019	176,164				176,164
Liu Zilong	Supervisor	Incumbent	Male	49	6 Jun. 2007	5 Jun. 2019					
Dong Shibing	Supervisor	Incumbent	Male	48	6 Jun. 2007	5 Jun. 2019	5,000				5,000
Zhang Jianxiang	Vice GM	Incumbent	Male	49	6 Jun. 2007	5 Jun. 2019	52,150				52,150
Wang Jiabin	Assistant GM, Production Manager	Incumbent	Male	54	6 Jun. 2007	5 Jun. 2019	83,700				83,700
Zhang Shougang	Assistant GM, Garment	Incumbent	Male	47	6 Jun. 2007	5 Jun. 2019	73,100				73,100

	Division Manager										
Zhang Zhanqi	Assistant General Manager, Deputy GM of Lufeng Weaving & Dyeing Co., Ltd.	Incumbent	Male	45	6 Jun. 2007	5 Jun. 2019	80,300				80,300
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Incumbent	Male	44	9 Dec. 2014	5 Jun. 2019					
Zhang Keming	Manager of Financial Dep.	Incumbent	Male	49	6 Jun. 2007	5 Jun. 2019	77,700				77,700
Li Wenji	CIO	Incumbent	Male		8 Jun. 2016	5 Jun. 2019	10,00				10,000
Pan Pingli	Manager of International Business Dep. III	Incumbent	Male	48	6 Jun. 2007	5 Jun. 2019	126,096	4,400			130,496
Lv Yongchen	Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Incumbent	Male	49	6 Jun. 2007	5 Jun. 2019	33,750				33,750
Yu Shouzheng	Manager of Energy Business Dep.	Incumbent	Male	49	6 Jun. 2007	5 Jun. 2019	83,100				83,100

Wang Changzhao	Manager of the First Department of International Business	Incumbent	Male	43	6 Jun. 2013	5 Jun. 2019	22,500				22,500
Quan Peng	Marketing Manager	Incumbent	Male	50	6 Jun. 2013	5 Jun. 2019	27,750				27,750
Shang Chenggang	Manager of Enterprises Management Department	Incumbent	Male	44	6 Jun. 2013	5 Jun. 2019	30,000				30,000
Zhang Chengzhu	Independent Director	Incumbent	Male	66	29 Apr. 2014	5 Jun. 2019					
Zhou Zhiji	Independent Director	Incumbent	Male	54	5 Jun. 2010	5 Jun. 2019					
Wang Lei	Independent Director	Incumbent	Female	47	5 Jun. 2010	5 Jun. 2019					
Total	--	--	--	--	--	--	1,375,895	4,400	0		1,380,295

II. Particulars about changes of Directors, Supervisors and Senior Executives

Name	Position	Type	Date	Reason
Zhang Hongmei	Director	Appointed and dismissed	6 Jun. 2016	Be selected as Director of the 8th Board of the Directors.
Bi Xiuli	Independent Director	Appointed and dismissed	6 Jun. 2016	Be selected as Independent Director of the 8th Board of the Directors.
Pan Ailing	Independent Director	Appointed and dismissed	6 Jun. 2016	Be selected as Independent Director of the 8th Board of the Directors.
Wang Xinyu	Independent Director	Appointed and dismissed	6 Jun. 2016	Be selected as Independent Director of the 8th Board of the Directors.

Li Wenj	Other senior administrator	Appointed and dismissed	6 Jun. 2016	Be selected as other senior administrator of the 8th Board of the Directors.
Zhang Chengzhu	Independent Director	Expired	6 Jun. 2016	Expiration of the term of the 7th Board of the Directors.
Zhou Zhiji	Independent Director	Expired	6 Jun. 2016	Expiration of the term of the 7th Board of the Directors.
Wang Lei	Independent Director	Expired	6 Jun. 2016	Expiration of the term of the 7th Board of the Directors.

III. Resumes of important personnel

Main working experience of current directors, supervisors and senior management staff

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 Xinsheng Power, Luqun Textile, Xinjiang Lu Thai and the President of Lu Thai (America), Director of Beijing Innovative, Supervisory Board Chairman of Beijing Lu Thai Youxian and GM of Shanghai Lu Thai.

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 and Senior Consultant of Lu Thai Company, and concurrently was 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 and General Manager of Lufeng Weaving & Dyeing, Director of Xinjiang Lu Thai and Director of Luqun Textile as well as the Executive Director of Lu Thai (Burma).

7. Ms. Qin Guiling: Director, Vice General Manager 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 Director of Beijing Lu Thai Youxian, Supervisory Board Chairman of Xinjiang Lu Thai, Director of Luqun Textile, and Director of Beijing Innovative.

8. 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.

9. 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.

10. 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.

11. 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.

12. 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.

13. 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).

14. Mr. Li Tongmin: male, chairman of board of supervisors of the Company, 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, vice general manager and the manager of production department of the Company.

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

16. 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.

17. 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.

18. Mr. Wang Jiabing: 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.

19 Mr. Zhang Shougang: Assistant General Manager, Garment Division Manager of the Company. He was born in 1970, MBA and senior engineer, once was Director of Weaving Factory, Manager of Weaving Business Department and Manager of Quality Control Department in the Company.

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: General Manager of International Business Department II of the Company. He was born in 1973 and had acted as General Manager of International Business Department I 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 General Manager of Financial Department.

24. Mr. Pan Pingli: Manager of International Business Department II. He was born in 1968 and MBA degree holder. He ever acted as

General Manager of International Business Department of the Company.

25. 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.

26. 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.

27. Mr. Wang Changzhao: General Manager of International Business Department I of the Company. He was born in 1974 and had acted as General Manger Assistant of International Business Department.

28. Mr. Quan Peng: Marketing Manager of the Company. He was born in 1967, MBA degree holder. From 2004 to prese nt, he has acted as Marketing Manager.

29. 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.

Employment in shareholders' companies

√ Applicable □ Not applicable

Name of employers	Name of shareholders' companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in shareholders' companies
Liu Zibin	Zibo Lucheng Textile Investment Co., Ltd.	Chairman of the Board of Directors	26 Feb. 1999		No
Xu Zhinan	Tailun (Thailand) Textile Co., Ltd.	Chairman of the Board of Directors	29 Jan. 1985		No
Explanations about holding posts in shareholders' companies	Mr. Liu Zibin is the Supervisor of Zibo Lucheng Textile Investment Co., Ltd., and holding 4% equities of Zibo Lucheng Textile Investment Co., Ltd., with his son Mr. Liu Deming jointly holding 25% equities of Zibo Lucheng Textile Investment Co., Ltd., and they are the largest shareholder as well as the actual controller. Basic information about Mr. Liu Zibin: 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.				

Employment in other companies

√ Applicable □ Not applicable

Name of employers	Name of other companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in other companies
Liu Zibin	Xinjiang Lu Thai Harvest Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Power Co.,	Director, Supervisor, Supervisory Board	7 Dec. 2015		No

	Ltd., Zibo Luqun Textile Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd., Beijing Lu Thai Youxian E-commerce Co., Ltd., Lu Thai (America) Textile Co., Ltd.	Chairman, GM			
Wang Fangshui	Xinjiang Lu Thai Harvest 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.	Director	17 Jun. 2003		No
Qin Guiling	Beijing Lu Thai Youxian E-commerce Co., Ltd., Xinjiang Lu Thai Harvest Cotton Co., Ltd., Zibo Luqun Textile Co., Ltd., Beijing Sichuang Adornments Co., Ltd.	Director, Supervisory Board Chairman, Director	17 Jun. 2003		No
Xu Jianjun	Beijing Deheng Law Offices	Partner	1 Aug. 2004		Yes
Zhao Yao	Shandong University of Technology	Associate Professor	1 Mar. 2001		Yes
Bi Xiuli	Beijing Deheng Law Offices	Partner	1 Jan. 2011		Yes
Pan Ailing	Shandong University School of Management	Professor	1 Jul. 1986		Yes
Wang Xinyu	Reanda Certified Public Accountants Shandong Branch	Director	1 Aug. 2013		Yes
Explanations about employment in other companies	Except independent directors, other companies directors, supervisors, senior executives are holding posts in are all controlling subsidiaries of the Company.				

Particulars about the Company's current directors, supervisors and senior executives ‘punishments from Securities Regulatory Institution of recent three years in Reporting Period

□ Applicable √ Not applicable

IV. Remuneration for directors, supervisors and senior management

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management

Decision-making procedures of remuneration of directors, supervisors, senior executives	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.
Determinate basis of	The Chief Accountant Office, the Corporate Management Department and the HR Department of the

remuneration of directors, supervisors, senior executives	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.
Actual payment of remuneration of directors, supervisors, senior executives	The number of incumbent directors, supervisors and senior executives is 29, among which there are 28 persons actually receiving remuneration from the Company. Till 31 Dec. 2016, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB24.4863 million (before tax).

Remuneration of the directors, supervisors and senior management of the Company during the Reporting Period is as follow:

Unit: RMB Thousand Yuan

Name	Position	Gender	Age	Current/former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Liu Zibin	Chairman of the Board of Directors /GM	Male	52	Incumbent	135.99	No
Xu Zhinan	Vice Chairman of the Board of Directors	Male	87	Incumbent	27.75	No
Fujiwara Hidetoshi	Director/Senior Consultant	Male	77	Incumbent	807.51	No
Chen Ruimou	Director	Male	73	Incumbent	27.75	No
Zeng Facheng	Director	Male	66	Incumbent	1.19	No
Wang Fangshui	Director/Vice Director/Chief Engineer	Male	56	Incumbent	135.66	No
Qin Guiling	Director/Vice Director/Chairman Secretary	Female	51	Incumbent	135.53	No
Zhang Hongmei	Chief Accountant	Female	47	Incumbent	84.88	No
Xu Jianjun	Independent Dire ctor	Male	43	Incumbent	4.8	No

Zhao Yao	Independent Director	Male	47	Incumbent	4.8	No
Bi Xiuli	Independent Director	Male	50	Incumbent	4.8	No
Wang Xinyu	Independent Director	Male	52	Incumbent	4.8	No
Li Tongmin	Supervisory Board Chairman	Male	50	Incumbent	4.8	No
Liu Zilong	Supervisor	Male	61	Incumbent	134.37	No
Dong Shibing	Supervisor	Male	49	Incumbent	55.73	No
Zhang Jianxiang	Deputy GM	Male	48	Incumbent	54.01	No
Wang Jiabin	GM Assistant, Manager of Production Department	Male	49	Incumbent	82.99	No
Zhang Shougang	Assistant GM, Garment Division Manager	Male	54	Incumbent	78.47	No
Zhang Zhanqi	Assistant GM, Deputy GM of Lufeng Weaving & Dyeing Co., Ltd.	Male	47	Incumbent	66.71	No
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Male	45	Incumbent	68.78	No
Zhang Keming	Manager of Financial Dep.	Male	44	Incumbent	113.74	No
Li Wenji	CIO	Male	49	Incumbent	53.36	No
Pan Pingli	Manager of International Business Dep. III	Male		Incumbent	39.44	No
Lv Yongchen	Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Male	49	Incumbent	53.52	No
Yu Shouzheng	Manager of	Male	49	Incumbent	53.75	No

	Energy Business Dep.					
Quan Peng	Marketing Manager	Male	49	Incumbent	53.44	No
Shang Chenggang	Manager of Enterprises Management Department	Male	43	Incumbent	55.16	No
Zhang Cehngzhu	Independent Director	Male	50	Expiration	52.99	No
Zhou Zhiji	Independent Director	Male	44	Expiration	51.91	No
Wang Lei	Independent Director	Female	66	Expiration	0	No
Total	--	--	54	--	0	--

Situations of equity incentives awarded to the directors, supervisors and senior management of the Company during the Reporting Period

□ Applicable √ Not applicable

V. About employees

1. Number of the employees, component difference and educational background

Number of the serving employees of the parent company (person)	15,753
Number of the serving employees of the major subsidiaries (person)	5,266
Total number of the serving employees (person)	21,019
Total number of the employees receiving the salary of the Reporting Period (person)	21,019
Number of the left and retired employees that the parent company and the major subsidiaries should undertake the expenses (person)	0
Component difference	
Category	Number (person)
Production personnel	14,588
Sales personnel	607
Technical personnel	5,384
Financial personnel	81
Administrative personnel	359

Total	21,019
Educational background	
Category	Number (person)
Doctor	2
Master	88
Bachelor	955
College	5,400
High school and below	14,574
Total	21,019

2. 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. Training plan

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

Section IX. Corporate Governance

I. Basic condition of corporate governance

1. The Company continued to perfect the corporate governance structure, establish and perfect the modern enterprise system and ensure the efficient and standardized operation of the Company's Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Executives strictly according to Company Law, Securities Law and Governing Rules for Listed Company as well as relevant stipulations and requirements from CSRC. 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. 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.

2. About shareholders and Shareholders' General Meeting

The Company convened and held the Shareholders' General Meeting in strict accordance with the requirements from the Rules for Shareholders' General Meeting in Listed Companies and the stipulation of the Rules of Procedure for Shareholders' General Meeting. During the Reporting Period, as for the contents such as providing the internet voting platform and the individual voting calculation as well as the disclosure of the medium and small shareholders, the Company revised part of the regulations of the Articles of Association and Rules of Procedure of the Shareholders' General Meeting of Lu Thai Textile Co., Ltd. according to the requirements of the Rules of Procedure of the Shareholders' General Meeting of Listed Companies (revised in 2014) and Articles of Association of Listed Companies (revised in 2014), which ensured all shareholders especially medium to small shareholders to enjoy equal rights and fully exercise their own rights.

3. About 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 over the Shareholders' General Meeting; 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.

4. About the directors and Board of Directors

The Company nominated and elected directors in strict accordance with the Articles of Association, the structure of the Board of Directors and the number of independent directors was in compliance with the requirement of laws and regulations. Besides, it established four special committees such as Strategy Committee, Nomination Committee, Audit Committee and Remuneration & Appraisal Committee in accordance with the Rules of Procedure for the Board of Directors, and accordingly promulgated the work rules for the committees. The committees clearly understood their responsibilities and operated well. The directors and independent directors completely enjoyed the rights stipulated in Company Law and Articles of Association, which ensure the scientific and impartial decision made by the Board of Directors of the Company. During the Reporting Period, the Company revised the Rules of Procedure of the Board of Directors of Lu Thai Textile Co., Ltd. according to the actual situation and revised the number of the Directors.

5. About supervisors and Supervisory Committee

The Company's Supervisory Committee and supervisors conscientiously performed their duties by strictly implementing relevant regulations of Articles of Association and the Rules of Procedure for Supervisory Committee, and conducted effective supervision on the Company's finance, the legal and regulatory compliance of directors and senior executive in duty performance.

6. About information disclosure and the transparency

The Company authentically, accurately, completely and timely performed its information disclosure responsibility in strict accordance with the stipulations of the Stock Listing Rules of Shenzhen Stock Exchange and relevant laws and regulations. Moreover, it ensured all shareholders have equal opportunity to gain information by disclosing information in strict accordance with Management System on Information Disclosure and Management System on Information Insiders as well as relevant stipulations.

7. Investors relationship management

The Company has established the Management System on Investor Relationship, and it paid special attention to the management of investor relationship and continued to maintain good communication with investors during executing the said system. During the Reporting Period, through attending the investor exchanging fair, accepting investors' on-site visit and consultant by way of on-site research and phone, the Company introduced its situation of production and operation and development strategy to the investors, so as to enhance their understanding of the Company and increase the Company's market transparency, as well as establish a good corporate image in the capital market. Meanwhile, it fully took advantage of the investor interactive platform of Shenzhen Stock Exchange to answer the questions and consultant from investors, and accepted the advices and opinion proposed by them, so as to maintain a healthy and good relationship between the Company and the investors.

8. About relevant beneficiaries

The Company fully respected and protected the legal rights of its customers, banks, suppliers, other creditors, staffs and consumers, etc., as well as paid special attention to the active cooperation with the said relevant beneficiaries, so as to mutually promote the sustainable and healthy development of the Company.

Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

□ Yes √ No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, 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 i 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. Particulars about annual shareholders' general meetings and temporary shareholders' general meetings held during the Reporting Period

1. Particulars about annual shareholders' general meetings during the Reporting Period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
2016 1st Extraordinary General Meeting	Extraordinary General Meeting	0.00%	21 Mar. 2016	22 Mar. 2016	Announcement on the Resolution of the Meeting (No.: 2016-010) disclosed on 22 Mar. 2016 on Securities Times, Ta Kung Pao, Shanghai Securities News and http://www.cninfo.com.cn
2014 Annual General Meeting	Annual General Meeting	0.00%	29 Apr. 2016	30 Apr. 2016	Announcement on the Resolution of the Meeting (No.: 2016-021) disclosed on 30 Apr. 2016 on Securities Times, Ta Kung Pao, Shanghai Securities News and http://www.cninfo.com.cn
2016 2nd Extraordinary General Meeting	Extraordinary General Meeting	0.00%	6 Jun. 2016	7 Jun. 2016	Announcement on the Resolution of the Meeting (No.: 2016-031) disclosed on 7 Jun. 2016 on Securities Times, Ta Kung Pao, Shanghai Securities News and http://www.cninfo.com.cn
2016 3rd Extraordinary General Meeting	Extraordinary General Meeting	0.00%	15 Nov. 2016	15 Nov. 2016	Announcement on the Resolution of the Meeting (No.: 2016-048) disclosed on 16 Nov. 2016 on Securities Times, Ta Kung Pao, Shanghai Securities News and http://www.cninfo.com.cn

2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

□ Applicable √ Not applicable

V. Performance of the Independent Directors

1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

Particulars about the independent directors attending the board sessions						
Independent director	Sessions required to attend during the Reporting Period	Attendance in person	Attendance by way of telecommunication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times
Zhou Zhiji	5	1	4		0	No
Wang Lei	5	0	4	1	0	No
Zhang Chengzhu	5	1	4		0	No
Xu Jianjun	8	0	7	1	0	No
Zhao Yao	8	2	6		0	No
Bi Xiuli	3	1	2		0	No
Pan Ailing	3	0	3		0	No
Wang Xinyu	3	0	3		0	No
General meetings sat in on by independent directors		2				

Notes to non-attendance in person for two consecutive times

Not applicable.**2. Particulars about independent directors proposing objection on relevant events**

Whether independent directors propose objection on relevant events or not?

□ Yes √ No

During the Reporting Period, no independent directors proposed any objection on relevant events of the Company.

3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

√ Yes □ No

Explanation on the advices of independent directors for the Company being adopted or not adopted

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 the Special Committees under the Board during the Reporting Period

I. Duty fulfillment of Audit Committee under the Boar

1. The Audit Committee of the 7th Board of the Directors held the 2st Meeting of Y2016 on 16 May 2016, which reviewed and approved the 2016 Derivatives Trading Plan of Lu Thai Textile Co., Ltd. and stated the written advice：the Company faced with the pressure of the enlarged fluctuation rage of the exchange rate of the foreign currency market Renminbi to the US dollar and the derivatives trading plan raised by the Finance Department was the efficient instrument for avoiding the exchange rate risks, and through the strengthen of the internal control as well as the execution of stop loss processing and the risk prevention measures could improve the operating and management level and benefit to the fully exertion of the competition advantage of the Company. Under the premises of guaranteeing the normal operation, the Company used the self-owned funds to execute the derivatives trading, which was benefit for the avoiding of the changes risks of the Renminbi exchange rate and for improving the prevention ability of the Company against the exchange rate fluctuation and the operating level as well as for fully exerting the competition advantage of the Company without any situation that harm the benefits of the Company and the whole shareholders. We believed the derivatives trading plan was feasible and necessary with the risks were controllable. And we agreed to submit the 2016 Derivatives Trading Plan of Lu Thai Textile Co., Ltd. to the 33th Session of the 7th Board of the Directors for review and approval.

2. The Audit Committee of the 8th Board of the Directors held the 1st Meeting of Y2017 on 2 Mar. 2017, which reviewed and the approved the Proposal on the Withdrawal of the Assets Impairment Provision and stated the written advice: for fairly reflected the value of each asset of the Company and according to the relevant regulations of the ASBE and Management System of the Withdrawal of the Assets Impairment Provision of Lu Thai Textile Co., Ltd. and the Company had executed the examination of each asset at the year-end of 2016as well as the impairment test of the assets with impairment indication and when the estimated recoverable amount of each asset was lower than its book value should execute the withdrawal of the assets impairment provision through recognition or measurement. We considered that the events of the withdrawal of the assets impairment provision met with the ASBE and the relevant accounting policies of the Company with sufficient evidence as well as indicated the accounting conservation principles and met with the actual situation of the Company. After the withdrawal of the assets impairment provision, the events could more fair to reflect the financial condition, assets value and operating results of the Company up to 31 Dec. 2016, which made the accounting information of the Company more reasonable. The Company agreed to submit the Proposal on the Withdrawal of the Assets Impairment Provision to the 5th Session of the 8th Board of the Directors for review and approval.

3. Major work of the 2016 annual report of the Audit Committee:

(1) The Audit Committee had held the 2016 1st Meeting of the Audit Committee on the Financial Audit Work in the meeting room of the Company on 17 Nov. 2016 and the meeting had confirmed the time and arrangement plan of the 2016 annual financial audit work unanimously with the 2016 Audit Institution Ruihua CPAs (LLP).

(2) On 20 Jan. 2017, the Audit Committee had held the 1st Meeting of the 2016 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 2016 Annual Audit, as well as the 2016 Annual Work Conference, were convened by the Committee on 28 Mar. 2017, where the following proposals were approved as resolutions, namely, the audited 2016 Financial Report of the Company, the Summary Report on the Audit Conducted by Ruihua CPAs (LLP) on the Company’s 2016 Financial Report, and the Proposal on

Renewing Employment of Ruihua CPAs (LLP) as the Company's audit agency for 2016.

4. Written opinions, summary report of the annual audit, and resolutions of 2016 Work Conference on Annual Report by Audit Committee

(1) Audit Committee's written opinion on the 2016 financial and accounting statements prepared by the Company's Financial Department before the presence of the registered accountants for the annual audit:

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 2016 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 2016 financial and accounting statements following the preliminary audit opinion 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 Dec. 2016.

The Audit Committee is of the opinion that the Company's 2016 financial and accounting statements preliminarily audited by RSM China Certified Public Accountants (Special General Partnership) are ready to be submitted to the 6^{th} Session of the 8^{th} Board of the Directors for review.

(3) Resolutions made at 2016 Annual Work Conference of Audit Committee of the Board

The Audit Committee of the Board of Lu Thai Textile Co., Ltd. held its 2016Annual Work Conference at Banyang Villa Meeting Room of the Company on 28 Mar. 2017. 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, and Chief Accountant and Chief Auditor of the Audit Department sat in on 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 2016 Financial Report of the Company audited by Ruihua CPAs

(LLP) was passes;

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 2016 Financial Report was passed;

III. With 3 favorable votes, 0 negative votes and no abstentions, the Proposal on Renewing Employment of Ruihua CPAs (LLP) as the Company's audit agency and paid RMB1.585 million to the said CPAs firm as fees for the 2016 annual financial report audit and internal control audit.

The Committee agrees to submit the above-mentioned proposals 1 and 3 to the Board of Directors for examination on the 6th Session 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 2015 at Banyang Villa Meeting Room of the Company on 27 Mar. 2016. Six 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 2015 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 31st Session of the 7th Board of Directors.

2. According to authorization of the 31rd Meeting of the 7th Board of Directors of Lu Thai, remuneration committee of board of directors of Lu Thai Textile Co., Ltd. held the second meeting of 2016 in the meeting room of Panyang Villa Meeting Room of the Company on 16 May 2016. 6 persons should attend the meeting and 6 persons actually attended the meeting. Among the 6 persons, Liu Shizhen and Liu Zibin voted on the spot; Zhang Chengzhu, Zhou Zhiji, Wang Lei and Zhao Yao 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*. *2015 Proposal for Risk Fund Assessment and Release Amount* and *Proposal for Suggesting Subsidy to the Independent Directors at the 8th Board of Directors* were 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 2016 in the meeting room of Panyang Villa Meeting Room of the Company on 27 Mar. 2016. 13 persons should attend the meeting and 13 persons actually attended the meeting. Chief accountant also attended the meeting. This meeting was hosted by Liu Shizhen, the president of strategy committee. The meeting accorded with relevant stipulations in *Company Law* and *Articles of Company* and passed the following proposals in voting form.

1. Overall Strategic Objectives of Yarn Dyed Fabric of Lu Thai Textile Co., Ltd. for 2016-2018.

2. Overall Strategic Objectives of Shirts Processing of Lu Thai Textile Co., Ltd. for 2016-2018.

3. Brand, R&D, human resources, fabric information, and clothing manufacture ERP engineering sub-plan.

4. 2016 Annual Operation Plan of Lu Thai Textile Co., Ltd.

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

1. Nominations committee of the 7th board of directors held the 1st meeting of 2016 on 16 May 2016 according to relevant stipulations in *Company Law* and *Articles of Company*. At the meeting, 6 affirmative votes, 0 dissenting vote and 0 abstention vote were involved to pass *Proposal for Nominating Candidates of the 8th Board of Directors* and *Proposal for Nominating Candidates of Independent Directors of the 8th Board of Directors*. In addition, the proposals were submitted to the 33rd meeting of the 7th board of directors for review and approval. The 33rd meeting of the 7th board of directors reviewed and passed above proposals.

1. The Company held the 1st meeting of 2015 of the norminations committee of the 7th Board of Directors on 27 Oct. 2015 according to the relevent regulations of the Articles of Association, with 6 favorable votes, 0 negative votes and no abstentions, the proposal on nominating the Director and GM-Mr. Liu Zibin as the candicate of the Chairman of the Board of the 7th Board of Director and had

submitted which to the 26th Session of the 7th Board of Directros for approval. The 26th Session of the 7th Board of Directors reviewed and approved the proposal.

2. Nominations committee of the 8th board of directors held the 1st meeting of 2016 on 8 Jun. 2016 according to relevant stipulations in *Company Law* and *Articles of Company*. At the meeting, 7 affirmative votes, 0 dissenting vote and 0 abstention vote were involved to pass *Proposal for Nominating the Candidates of Chairman and Vice Chairman of the 8th Board of Directors, Members of Specialized Committees, General Manager, Vice General Manager, Chief Accountant, Secretary of Board of Directors, Representative of Security Business and other Senior Managers*. In addition, the proposal was submitted to the 1st meeting of the 8th board of directors for review and approaval. Nominations are listed below:

(1) Nominate the candidate of chairman of the 8th board of director: Liu Zibin; nominate the candidate of vice chairman of the 8th board of director: Xu Zhinan.

(2) Nominate the candidate of the members of strategic decision-making committee: Liu Zibin, Xu Zhinan, Fujiwara Hidetoshi, Chen Ruimou, Wang Fangshui, Zeng Facheng, Qin Guiling, Zhang Hongmei, Xu Jianjun, Zhao Yao, Bi Xiuli, Pan Ailing and Wang Xinyu. Liu Zibin was the candidate of president.

(3) Nominate the candidate of the members of audit committee: Zhao Yao, Wang Xinyu, Qin Guiling. Zhao Yao was the candidate of president.

(4) Nominate the candidate of the members of remuneration and assessment committee: Liu Zibin, Bi Xiuli, Wang Xinyu, Zhao Yao and Pan Ailing. Wang Xinyu was the candidate of president.

(5) Nominate Liu Zibin as the candidate of general manager; Nominate Wang Fangshui, Qin Guiling, Zhang Jianxiang, Wang Jiabin, Zhang Shougang and Zhang Zhanqi as the candidates of vice general manager.

(6)Nominate Zhang Hongmei as the candidate of chief accountant of the Company; nominate Qin Guiling as the candidate of the secretary of board of directors; nominate Zheng Weiyin and Li Kun as the candidates of the representative of security business.

(7) According to *Articles of Company*, nominate and employ Fujiwara Matsuzaka, Zhang Keming, Li Wenji, Pan Pingli, Lv Yongchen, Yu Shouzheng, Quan Peng, Wang Changzhao, Shang Chenggang as senior managers of the Company.

(8)According to *Articles of Company* and *Company Law*, tenure of above personnel is three years.

The first meeting of the eighth board of directors reviewed and passed above proposals.

VII. Performance of the Supervisory Committee

During the Reporting Period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

□ Yes √ No

The Supervisory Committee has no objection on the supervised events during the Reporting Period.

VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff

In the Reporting Period, Remuneration Committee of the Board of Directors appraised operating achievements of the Company for the year 2015 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 31st Session of the 7th Board of Directors dated 28 Mar. 2016. 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. Particulars about significant defects found in the internal control during Reporting Period

□ Yes √ No

2. Self-appraisal report on internal control

Disclosure date of the Self-appraisal Report on Internal Control	30 Mar. 2017	
Disclosure index of the Self-appraisal Report on Internal Control	For the 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 2016 Annual Report of the Company.	
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements	88.81%	
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements	93.82%	
Defect judging standards		
Category	Financial Report	Non-Financial Report
Qualitative criteria	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; had not built up the anti-fraud and significant counterbalance mechanism and control measures; during the financial report process,	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 enterprise internal regulations that caused rather serious losses; significant business lacked of systematic control; outflow of the

	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.	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 criteria	Great defect: misstatement≥2% of the total profits amount; misstatement≥0.3% of the total assets amount; misstatement≥0.3% of the total operating income; misstatement≥0.4% of the total owners' equities amount. Significant defect: 1% of the total profits amount≤misstatement<2% of the total profits amount; 0.15% of the total assets amount≤misstatement<0.3% of the total assets amount; 0.15% of the total operating amount≤misstatement<0.3% of the total operating amount; 0.2% of the total owners' equities amount≤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 more than RMB6 million or had been formally and externally disclosed and caused negative influences on the disclosure of the periodical report of the Company. Significant defect: the direct financial losses were of RMB3 million (including RMB3 million)-RMB6 million or had been punished by the state-owned government sectors while not caused negative influences on the disclosure of the periodical report of the Company. General defect: the direct financial losses were of RMB0.5 million (including RMB0.5 million)-RMB 3 million or had been punished by the below-provincial (including the provincial level) government sectors while not caused negative influences on the disclosure of the periodical report of the Company.
Number of significant defects of financial report (piece)	0	
Number of significant defects of non-financial report (piece)	0	
Number of important defects of financial report (piece)	0	
Number of important defects of non-financial report (piece)	0	

X. Audit report on internal control

√ Applicable □ Not applicable

Audit opinion paragraphs in the Audit Report on Internal Control

Internal control audit report

RHZSZ [2017] No. 37040001

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

According to the relevant requirements of the Enterprise Internal Control Audit Guidelines and the Practicing Standards for China's CPAs, we audited the validity of the internal control of the financial report on 31 Dec. 2016 of Lu Thai Textile Co., Ltd. (hereinafter referred to as "the Company").

I. Responsibilities of the Company for the internal control

According to the regulations of the C-SOX, the Enterprise Internal Control Application Guidelines and the Enterprise Internal Control Evaluation Guidance, the Company built and improved as well as efficiently executed the internal control with the responsibility of the Board of Directors for evaluating the efficiency of it.

II. Responsibilities of the CPA

Our responsibilities are to state the audit advices on the efficiency of the internal control of the financial report based on the execution of the audit work and to disclose the noticed great defect of the non-financial report internal control.

III. Inherent limitation of the internal control

The internal control possesses its inherent limitation with the possibility of couldn't prevent and discover the misstatement. Besides, owning to the changes of the situation, there may cause the inappropriate of the internal control or the degree of the compliance to the control policies and the process would decrease. The Company predicted that there were certain risks of the efficiency of the internal control of the future according to the audit results of the internal control.

IV. Audit opinion of the internal control of the financial report

We believe that the Company has made valid internal control on financial report in all significant aspects on 31 Dec. 2015 according to the Basic Rules for Enterprise Internal Control and other relevant stipulations.

Ruihua CPAs (LLP) CPA: Cui Xiaoli

China•Beijing CPA: He Feng

28 Mar. 2017

Particulars about Audit Report on Internal Control	Disclosure
Disclosure date of the Audit Report on Internal Control	30 Mar. 2017
Disclosure index of the Audit Report on Internal Control	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 2016 Annual Report.
Type of Audit Report on Internal Control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

□ Yes √ No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

√ Yes □ No

Section X Corporate Bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No.

Section XI Financial Report

I Auditor's report

Type of auditor's opinion	Standard unqualified opinion
Date of signing the auditor's report	03/30/2017
Name of the auditor	Ruihua Certified Public Accountants LLP
No. of the auditor's report	RHSZ [2017] No. 37040003
Name of CPA	He Feng, Cui Xiaoli

Text of the Auditor's Report

All shareholders of Lu Thai Textile Co., Ltd.,

We have audited the accompanying financial statements of Lu Thai Textile Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at December 31, 2016, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

1. The management's responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Such a responsibility includes: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control related to the preparation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for us to express auditing opinion.

3. Auditor’s opinion

In our opinion, the financial statements of the Company have been prepared according to the Accounting Standards for Business Enterprises in all material aspects, which give a fair view of the Company’s and consolidated financial positions as at December 31, 2016 and the Company’s and consolidated operating results and cash flows for the year then ended.

Ruihua Certified Public Accountants LLP

Beijing · China

Chinese CPA：Cui Xiaoli

Chinese CPA：He Feng

March 28, 2017

II Financial statements

Currency unit for the financial statements: RMB

1. Consolidated balance sheet

Prepared by Lu Thai Textile Co., Ltd.

December 31, 2016

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	662,967,785.49	795,501,196.07
Financial assets at fair value through profit/loss		71,696,678.70
Derivative financial assets		
Notes receivable	84,161,909.91	133,145,518.39
Accounts receivable	293,129,727.93	262,848,042.62
Accounts paid in advance	212,487,501.51	196,809,904.13
Interest receivable		653,075.08
Dividends receivable		
Other accounts receivable	46,262,835.47	70,821,406.28
Financial assets purchased under agreements to resell		
Inventories	1,816,700,441.85	1,743,963,973.24
Assets held for sale		
Non-current assets due within one year		
Other current assets	107,535,889.38	57,391,316.34
Total current assets	3,223,246,091.54	3,332,831,110.85
Non-current assets:		
Available-for-sale financial assets	24,660,000.00	67,442,600.00
Held-to-maturity investments		
Long-term accounts receivable	2,310,000.00	4,980,998.00
Long-term equity investments		
Investment property	25,844,090.56	
Fixed assets	5,244,335,459.80	4,907,575,469.84
Construction in progress	154,668,358.96	205,094,029.50
Engineering materials	117,120,463.50	6,319,783.17
Disposal of fixed assets		
Productive living assets	1,381,292.75	1,177,113.89
Intangible assets	384,253,077.39	363,385,986.63
R&D expenses		
Goodwill	20,613,803.29	20,613,803.29
Long-term deferred expenses	114,227,364.54	85,124,145.25
Deferred tax assets	63,183,792.63	62,123,091.53

Other non-current assets	31,259,468.38	34,502,367.27
Total non-current assets	6,183,857,171.80	5,758,339,388.37
Total assets	9,407,103,263.34	9,091,170,499.22
Current liabilities:		
Short-term borrowings	873,261,856.02	802,766,318.90
Financial liabilities at fair value through profit/loss		46,695,875.00
Notes payable		3,109,149.48
Accounts payable	252,538,563.06	248,570,405.57
Accounts received in advance	89,451,314.62	95,077,531.32
Payroll payable	315,618,449.91	291,263,599.62
Taxes payable	77,214,706.67	80,615,008.14
Interest payable	1,165,730.47	1,851,876.78
Dividends payable	441,113.64	441,113.64
Other accounts payable	69,365,641.15	62,514,814.53
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,679,057,375.54	1,632,905,692.98
Non-current liabilities:		
Long-term borrowings	135,678,044.89	
Long-term accounts payable		
Long-term payroll payable	79,122,422.89	81,499,403.98
Special payables		
Provisions		
Deferred income	95,990,489.79	96,135,077.91
Deferred tax liabilities	2,341,089.87	2,192,694.35
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	314,972,047.44	181,667,176.24
Total liabilities	1,994,029,422.98	1,814,572,869.22
Owners’ equity:		
Share capital	922,602,311.00	955,758,496.00
Capital reserve	753,440,557.83	1,007,146,166.97
Less: Treasury shares		11,610,721.68
Other comprehensive income	53,293,544.89	17,090,772.31

Special reserve		
Surplus reserve	888,761,783.04	815,648,504.28
Provisions for general risks		
Retained earnings	4,319,887,532.43	4,053,079,857.70
Equity attributable to owners of the Company	6,937,985,729.19	6,837,113,075.58
Minority interests	475,088,111.17	439,484,554.42
Total owners' equity	7,413,073,840.36	7,276,597,630.00
Total liabilities and owners' equity	9,407,103,263.34	9,091,170,499.22

Legal representative: Liu Zibin Accounting head for this Report: Zhang Hongmei

Head of the accounting department: Zhang Keming

2. Balance sheet of the Company

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	177,016,859.63	361,326,403.14
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable	64,421,665.52	100,449,603.66
Accounts receivable	297,026,110.33	235,128,453.94
Accounts paid in advance	139,013,057.80	194,884,351.36
Interest receivable		
Dividends receivable		
Other accounts receivable	340,458,208.20	33,540,540.54
Inventories	1,086,364,931.72	1,194,474,541.81
Assets held for sale		
Non-current assets due within one year		
Other current assets	1,126,006.88	20,665,251.54
Total current assets	2,105,426,840.08	2,140,469,145.99
Non-current assets:		
Available-for-sale financial assets	12,500,000.00	55,282,600.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	1,711,021,866.04	1,577,704,740.04
Investment property	14,829,443.58	

Fixed assets	3,019,132,803.64	3,086,026,962.51
Construction in progress	25,796,329.33	47,195,873.42
Engineering materials	663,894.82	4,752,722.48
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	229,433,475.02	231,714,546.11
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	62,042,513.61	56,039,573.79
Other non-current assets	8,831,098.34	25,733,137.67
Total non-current assets	5,084,251,424.38	5,084,450,156.02
Total assets	7,189,678,264.46	7,224,919,302.01
Current liabilities:		
Short-term borrowings	503,005,010.24	509,321,176.41
Financial liabilities at fair value through profit/loss		39,527,800.00
Derivative financial liabilities		
Notes payable		400,000.00
Accounts payable	158,737,347.81	156,939,081.65
Accounts received in advance	54,552,285.78	52,388,447.07
Payroll payable	240,389,712.34	225,146,911.56
Taxes payable	47,790,003.82	44,647,234.36
Interest payable	646,147.15	830,073.23
Dividends payable	441,113.64	441,113.64
Other accounts payable	19,309,386.42	19,453,519.54
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,024,871,007.20	1,049,095,357.46
Non-current liabilities:		
Long-term borrowings		
Long-term payables		
Long-term payroll payable	79,122,422.89	81,499,403.98

Special payables		
Provisions		
Deferred income	62,691,326.97	61,687,374.76
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	141,813,749.86	143,186,778.74
Total liabilities	1,166,684,757.06	1,192,282,136.20
Owners' equity:		
Share capital	922,602,311.00	955,758,496.00
Capital reserve	759,793,238.92	1,013,498,848.06
Less: Treasury shares		11,610,721.68
Other comprehensive income		
Special reserve		
Surplus reserve	888,761,783.04	815,648,504.28
Retained earnings	3,451,836,174.44	3,259,342,039.15
Total owners' equity	6,022,993,507.40	6,032,637,165.81
Total liabilities and owners' equity	7,189,678,264.46	7,224,919,302.01

3. Consolidated income statement

Unit: RMB

Item	2016	2015
1. Operating revenues	5,981,751,344.63	6,173,322,778.61
Including: Sales income	5,981,751,344.63	6,173,322,778.61
2. Operating costs	5,019,341,093.99	5,302,761,010.18
Including: Cost of sales	4,005,021,417.38	4,341,034,877.04
Taxes and surtaxes	86,519,719.96	55,309,984.03
Selling expenses	158,869,993.22	191,933,295.19
Administrative expenses	659,398,886.58	670,704,384.29
Finance costs	20,697,661.64	16,481,023.89
Asset impairment loss	88,833,415.21	27,297,445.74
Add: Profit on fair value changes ("-" means loss)	63,992,131.36	-60,685,931.36
Investment income ("-" means loss)	-60,779,660.20	31,540,015.51
Including: Share of profit/loss of associates and joint ventures		
Exchange gains ("-" means loss)		
3. Operating profit ("-" means loss)	965,622,721.80	841,415,852.58

Add: Non-operating income	75,254,150.98	52,201,733.84
Including: Profit on disposal of non-current assets	1,573,832.63	959,445.92
Less: Non-operating expense	15,528,019.86	10,168,567.50
Including: Loss on disposal of non-current assets	9,895,526.12	5,625,603.48
4. Total profit (“-” means loss)	1,025,348,852.92	883,449,018.92
Less: Corporate income tax	172,275,402.80	147,905,990.15
5. Net profit (“-” means loss)	853,073,450.12	735,543,028.77
Net profit attributable to owners of the Company	805,446,326.99	712,193,243.19
Minority interests’ income	47,627,123.13	23,349,785.58
6. Other comprehensive income net of tax	36,202,772.58	25,530,950.68
Other comprehensive income net of tax attributable to owners of the Company	36,202,772.58	25,530,950.68
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
6.2 Other comprehensive income to be subsequently reclassified into profit/loss	36,202,772.58	25,530,950.68
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets		
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences	36,202,772.58	25,530,950.68
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests		
7. Total comprehensive income	889,276,222.70	761,073,979.45
Attributable to owners of the Company	841,649,099.57	737,724,193.87
Attributable to minority interests	47,627,123.13	23,349,785.58
8. Earnings per share		
8.1 Basic earnings per share	0.85	0.75
8.2 Diluted earnings per share	0.85	0.75

Where business mergers under the same control occurred in this Reporting Period, the net profit achieved by the merged parties before the business mergers was RMB 0, with the corresponding amount for the last period being RMB 0.

Legal representative: Liu Zibin Accounting head for this Report: Zhang Hongmei

Head of the accounting department: Zhang Keming

4. Income statement of the Company

Unit: RMB

Item	2016	2015
1. Operating revenues	5,078,847,567.10	4,944,030,174.49
Less: Operating costs	3,604,147,665.88	3,648,460,561.91
Taxes and surtaxes	59,722,954.27	43,900,218.04
Selling expenses	85,012,619.20	89,638,305.49
Administrative expenses	458,281,382.46	463,715,559.98
Finance costs	15,651,562.69	11,074,526.15
Asset impairment loss	104,344,445.08	105,767,874.66
Add: profit on fair value changes (“-” means loss)	39,527,800.00	-36,452,800.00
Investment income (“-” means loss)	21,172,648.92	251,963,173.61
Including: Share of profit/loss of associates and joint ventures		
2. Operating profit (“-” means loss)	812,387,386.44	796,983,501.87
Add: Non-operating income	32,775,872.85	21,081,302.96
Including: Profit on disposal of non-current assets	3,107,873.31	535,631.91
Less: Non-operating expense	3,817,597.33	4,557,976.86
Including: Loss on disposal of non-current assets	1,551,810.09	3,840,466.74
3. Total profit (“-” means loss)	841,345,661.96	813,506,827.97
Less: Corporate income tax	110,212,874.41	80,500,109.90
4. Net profit (“-” means loss)	731,132,787.55	733,006,718.07
5. Other comprehensive income net of tax		
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss		
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		

5.2.2 Profit/loss on fair value changes of available-for-sale financial assets		
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences		
5.2.6 Other		
6. Total comprehensive income	731,132,787.55	733,006,718.07
7. Earnings per share		
7.1 Basic earnings per share	0.79	0.77
7.2 Diluted earnings per share	0.79	0.77

5. Consolidated cash flow statement

Unit: RMB

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	5,871,764,184.97	6,030,509,998.21
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	197,711,424.88	172,608,069.68
Cash received from other operating activities	102,124,782.99	95,495,004.98
Subtotal of cash inflows from operating activities	6,171,600,392.84	6,298,613,072.87
Cash paid for goods and services	2,820,409,717.54	3,307,297,819.20
Cash paid to and for employees	1,428,452,968.16	1,372,174,345.22
Taxes paid	378,426,016.38	356,064,268.45
Cash paid for other operating activities	233,546,409.48	235,481,235.66
Subtotal of cash outflows due to operating activities	4,860,835,111.56	5,271,017,668.53
Net cash flows from operating activities	1,310,765,281.28	1,027,595,404.34
2. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received as investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,104,478.61	2,277,031.35
Net cash received from disposal of subsidiaries or other business units		

Cash received from other investing activities	32,505,470.64	50,940,957.84
Subtotal of cash inflows from investing activities	34,609,949.25	53,217,989.19
Cash paid to acquire fixed assets, intangible assets and other long-term assets	861,098,602.96	455,625,977.74
Cash paid for investment		
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	41,519,234.00	117,355,791.90
Subtotal of cash outflows due to investing activities	902,617,836.96	572,981,769.64
Net cash flows from investing activities	-868,007,887.71	-519,763,780.45
3. Cash flows from financing activities:		
Cash received from capital contributions		500,000.00
Including: Cash received from minority shareholder investments by subsidiaries		500,000.00
Cash received as borrowings	2,215,183,445.08	1,457,671,792.24
Cash received from issuance of bonds		
Cash received from other financing activities	29,754,422.42	77,262,230.00
Subtotal of cash inflows from financing activities	2,244,937,867.50	1,535,434,022.24
Repayment of borrowings	2,047,960,531.26	1,320,131,980.26
Cash paid for interest expenses and distribution of dividends or profit	497,559,966.43	505,028,058.43
Including: dividends or profit paid by subsidiaries to minority interests	12,023,566.38	9,619,012.38
Cash paid for other financing activities	261,629,544.91	123,481,516.75
Sub-total of cash outflows due to financing activities	2,807,150,042.60	1,948,641,555.44
Net cash flows from financing activities	-562,212,175.10	-413,207,533.20
4. Effect of foreign exchange rate changes on cash and cash equivalents	8,538,528.70	21,677,584.66
5. Net increase in cash and cash equivalents	-110,916,252.83	116,301,675.35
Add: Opening balance of cash and cash equivalents	765,695,473.65	649,393,798.30
6. Closing balance of cash and cash equivalents	654,779,220.82	765,695,473.65

6. Cash flow statement of the Company

Unit: RMB

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	5,092,041,690.19	4,961,880,181.41
Tax refunds received	151,105,262.23	129,451,700.19
Cash received from other operating activities	31,468,452.51	52,352,078.75

Subtotal of cash inflows from operating activities	5,274,615,404.93	5,143,683,960.35
Cash paid for goods and services	2,705,013,474.52	2,874,742,643.78
Cash paid to and for employees	1,072,276,579.49	1,050,513,463.85
Taxes paid	185,976,982.65	172,137,702.77
Cash paid for other operating activities	136,946,899.89	157,926,230.24
Subtotal of cash outflows due to operating activities	4,100,213,936.55	4,255,320,040.64
Net cash flows from operating activities	1,174,401,468.38	888,363,919.71
2. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received as investment income	55,179,470.68	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,413,254.61	1,738,821.35
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities	2,931,847.14	37,525,796.60
Subtotal of cash inflows from investing activities	59,524,572.43	39,264,617.95
Cash paid to acquire fixed assets, intangible assets and other long-term assets	163,318,218.59	127,352,558.59
Cash paid for investment	137,295,249.67	442,518,167.48
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	346,158,324.00	
Subtotal of cash outflows due to investing activities	646,771,792.26	569,870,726.07
Net cash flows from investing activities	-587,247,219.83	-530,606,108.12
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings	1,498,632,773.04	742,195,059.14
Cash received from issuance of bonds		
Cash received from other financing activities		61,262,230.00
Subtotal of cash inflows from financing activities	1,498,632,773.04	803,457,289.14
Repayment of borrowings	1,543,292,096.38	483,324,013.96
Cash paid for interest expenses and distribution of dividends or profit	474,745,698.14	485,161,279.23
Cash paid for other financing activities	253,629,544.91	93,507,094.33
Sub-total of cash outflows due to financing activities	2,271,667,339.43	1,061,992,387.52
Net cash flows from financing activities	-773,034,566.39	-258,535,098.38
4. Effect of foreign exchange rate changes on cash and cash	1,570,774.33	12,593,972.00

equivalents		
5. Net increase in cash and cash equivalents	-184,309,543.51	111,816,685.21
Add: Opening balance of cash and cash equivalents	361,326,403.14	249,509,717.93
6. Closing balance of cash and cash equivalents	177,016,859.63	361,326,403.14

7. Consolidated statement of changes in owners' equity

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preference shares	Perpetual bonds	Other									
1. Balance at the end of the prior year	955,758,496.00				1,007,146,166.97	11,610,721.68	17,090,772.31		815,648,504.28		4,053,079,857.70	439,484,554.42	7,276,597,630.00
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	955,758,496.00				1,007,146,166.97	11,610,721.68	17,090,772.31		815,648,504.28		4,053,079,857.70	439,484,554.42	7,276,597,630.00
3. Increase/ decrease in the period ("-" means decrease)	-33,156,185.00				-253,705,609.14	-11,610,721.68	36,202,772.58		73,113,278.76		266,807,674.73	35,603,556.75	136,476,210.36
3.1 Total comprehensive income							36,202,772.58				805,446,326.99	47,627,123.13	889,276,222.70
3.2 Capital increased and reduced by owners	-33,156,185.00				-253,705,609.14	-11,610,721.68							-275,251,072.46
3.2.1 Ordinary shares increased by shareholders	-33,156,185.00				-253,706,278.05	-11,610,721.68							-275,251,741.37

3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other					668.91								668.91
3.3 Profit distribution									73,113,278.76		-538,638,652.26	-12,023,566.38	-477,548,939.88
3.3.1 Appropriation to surplus reserve									73,113,278.76		-73,113,278.76		
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-465,525,373.50	-12,023,566.38	-477,548,939.88
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													

3.5.2 Used in the period													
3.6 Other													
4. Closing balance	922,602,311.00				753,440,557.83		53,293,544.89		888,761,783.04		4,319,887,532.43	475,088,111.17	7,413,073,840.36

2015

Unit: RMB

Item	2015												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings		
		Preference shares	Perpetual bonds	Other									
1. Balance at the end of the prior year	955,758,496.00				1,007,039,561.13		-8,440,178.37		742,347,832.47		3,892,066,534.32	427,658,339.63	7,016,430,585.18
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
2. Balance at the beginning of the year	955,758,496.00				1,007,039,561.13		-8,440,178.37		742,347,832.47		3,892,066,534.32	427,658,339.63	7,016,430,585.18
3. Increase/ decrease in the period ("-" means decrease)					106,605.84	11,610,721.68	25,530,950.68		73,300,671.81		161,013,323.38	11,826,214.79	260,167,044.82
3.1 Total comprehensive income							25,530,950.68				712,193,243.19	23,349,785.58	761,073,979.45

3.2 Capital increased and reduced by owners					106,605.84	11,610,721.68						500,000.00	-11,004,115.84
3.2.1 Ordinary shares increased by shareholders						11,610,721.68						500,000.00	-11,110,721.68
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other					106,605.84								106,605.84
3.3 Profit distribution									73,300,671.81		-551,179,919.81	-12,023,570.79	-489,902,818.79
3.3.1 Appropriation to surplus reserve									73,300,671.81		-73,300,671.81		
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-477,879,248.00	-12,023,570.79	-489,902,818.79
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													

3.4.4 Other													
3.5 Special reserve													
3.5.1 Withdrawn for the period													
3.5.2 Used in the period													
3.6 Other													
4. Closing balance	955,758,496.00				1,007,146,166.97	11,610,721.68	17,090,772.31		815,648,504.28		4,053,079,857.70	439,484,554.42	7,276,597,630.00

8. Statement of changes in owners' equity of the Company

2016

Unit: RMB

Item	2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	955,758,496.00				1,013,498,848.06	11,610,721.68			815,648,504.28	3,259,342,039.15	6,032,637,165.81
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	955,758,496.00				1,013,498,848.06	11,610,721.68			815,648,504.28	3,259,342,039.15	6,032,637,165.81
3. Increase/ decrease in the	-33,156,185.00				-253,705,609.14	-11,610,721.68			73,113,278.76	192,494,135.29	-9,643,658.41

period ("-" means decrease)											
3.1 Total comprehensive income										731,132,787.55	731,132,787.55
3.2 Capital increased and reduced by owners	-33,156,185.00				-253,705,609.14	-11,610,721.68					-275,251,072.46
3.2.1 Ordinary shares increased by shareholders	-33,156,185.00				-253,706,278.05	-11,610,721.68					-275,251,741.37
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other					668.91						668.91
3.3 Profit distribution									73,113,278.76	-538,638,652.26	-465,525,373.50
3.3.1 Appropriation to surplus reserve									73,113,278.76	-73,113,278.76	
3.3.2 Appropriation to owners (or shareholders)										-465,525,373.50	-465,525,373.50
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											

3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other											
4. Closing balance	922,602,311.00				759,793,238.92				888,761,783.04	3,451,836,174.44	6,022,993,507.40

2015

Unit: RMB

Item	2015										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
1. Balance at the end of the prior year	955,758,496.00				1,013,392,242.22				742,347,832.47	3,077,515,240.89	5,789,013,811.58
Add: Changes in accounting policies											
Correction of errors in prior periods											

Other											
2. Balance at the beginning of the year	955,758,496.00				1,013,392,242.22				742,347,832.47	3,077,515,240.89	5,789,013,811.58
3. Increase/ decrease in the period ("-" means decrease)					106,605.84	11,610,721.68			73,300,671.81	181,826,798.26	243,623,354.23
3.1 Total comprehensive income										733,006,718.07	733,006,718.07
3.2 Capital increased and reduced by owners					106,605.84	11,610,721.68					-11,504,115.84
3.2.1 Ordinary shares increased by shareholders						11,610,721.68					-11,610,721.68
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other					106,605.84						106,605.84
3.3 Profit distribution									73,300,671.81	-551,179,919.81	-477,879,248.00
3.3.1 Appropriation to surplus reserve									73,300,671.81	-73,300,671.81	
3.3.2 Appropriation to owners (or shareholders)										-477,879,248.00	-477,879,248.00
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											

3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve											
3.5.1 Withdrawn for the period											
3.5.2 Used in the period											
3.6 Other											
4. Closing balance	955,758,496.00				1,013,498,848.06	11,610,721.68			815,648,504.28	3,259,342,039.15	6,032,637,165.81

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 Feb. 3, 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 August 19, 1997 with B-shares stock code of 200726. On November 24, 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 December 25, 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice. As approved by 2000 Shareholders' 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 Shareholders' 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 Shareholders' 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 Dec. 25, 2003, the inner employees' shares reach 3 years since listing on the A-share stock market, and they set out circulation on Dec.26, 2003. As approved by the Shareholders' 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 (ZJXK [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 Dec. 2008. According to the relevant resolution of the 2nd Special Shareholders' General Meeting for 2011, the relevant resolution of the 15th Session 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 Aug. 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 Jun. 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 6th session of the board of the directors on 27 Mar. 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 Session of the 7th Board of Directors on 11 Jun. 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 August 5, 2015, the Company repurchased 33,156,200 domestically listed foreign shares (B-shares). As of December 31, 2016, 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 construction and management of the purified water projects.

The Company’s financial statements have been approved for issue by the Board of Directors of the Company on March 28, 2017.

There were 15 subsidiaries included into the consolidation scope of the Company in 2016, and for the details, please refer to Notes IX. Equities among Other Entities. There was 1 increased subsidiary and 1 decreased subsidiary in the consolidation scope as compard with last year, and please refer to Notes VIII. Changes in Consolidation Scope for details.

IV. Basis for the 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 41 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 Feb. 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, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

V. Important accounting policies and estimations

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 polices and accounting estimates of the transactions and events such as recognizing the revenues, and please refer to each description of the section for details. As for the notes to the important accounting judgment and estimations made by the management level, please refer to the "26. 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 Dec. 2016, business results and cash flows for the year of 2016, 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 period

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 methods for business combinations under the same control or not under the same 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 then 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 6 (2) in this section), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and “12. long term equity investment transaction” in this section 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. Methods for preparing 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.

Once 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 "12. Long Term Equity Investment" or "9. Financial Instruments" in this section.

Where the Company losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need 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. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a 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 12 (2) ④ in this section) and "Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons" (see the front paragraph) relevant transactions of the Company losses 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 lose of control, when the Company losing control on its subsidiary.

7. Recognition standard for cash and cash equivalents

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 exchange difference arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs; ② the exchange difference arising from the hedging 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 arising 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.

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: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. 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 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 though 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 Group not recognized the changes of the fair value of the equity instrument. 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. Receivables

(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 RMB 5 million or more than RMB 5 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.

11. Inventory

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

No.

(1) Classification

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

(2) Valuation method of inventories acquiring and issuing

Inventories shall be measured at planned cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other costs. Inventories shall be measured as per the weighted average method when delivered; the difference between the actual cost and the planned cost shall be stated as cost variance and the Company shall account the cost variances of the delivered inventories and adjust planned cost into actual cost periodically.

(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 normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

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. 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 polices to “9. financial instrument” in this section.

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 polices 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 polices 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 Jan. 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 "6. (2) Method on preparation of combined financial statements" in this section.

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 owning 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 owning 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.

13. 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 19 “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.

14. 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 deprecation
Housing and building	Average method of useful life	5-30 years	0-10%	3.00%-20.00%
Machinery equipments	Average method of useful life	10-18 years	0-10%	5.00%-10.00%
Transportation vehicle	Average method of useful life	5 years	0-10%	18.00%-20.00%
Electronic equipments and others	Average method of useful life	5 years	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.

15. 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 us 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 “19 Long-term assets impairment” in this section.

16. Borrowing costs

Not applicable.

17. 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 (Year)	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.

18. 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 polices of internal R & D expenses

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
See “19 Impairment of long-term assets” in this section.

19. 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.

20. 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 the long-term deferred expense shall be amortized by the straight-line method averagely within the benefit period.

21. 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 welfare after dimission

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 dismission welfare owning to the relieving plan of the labor relation or the downsizing advice, should confirm the liabilities of the employees' salary from the dismission welfare on the earlier day between the cost confirmed by the Company and the cost related to the reorganization of the payment of the dismission welfare and includes which in the current gains and losses. But as for the dismission 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.

The internal retire plan of the employees should be handled by adopting the same principles of the above dismission 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 (dismission welfare) when met with the recognization conditions of the estimiated liabilities.

(4) Accounting treatment of the welfare of other long-term staffs

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.

22. 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 deliveries 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 not 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 not 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 not 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.

23. Government subsidy

(1) Judgment basis and accountant arrangement method for the government subsidy related with the asset

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 owner. 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 document does not clearly prescribe the subsidy object, the following ways shall be adopted to divide the subsidy into the income-related government subsidy and asset-related government subsidy: (1) The government document clears the specific project for the subsidy, it shall divide according to the relative ratio of asset expenditure amount and entry cost expenditure amount to be formed in the budget of specific project, review according to the division ratio at each balance sheet date, and change when necessary; (2) The government document only makes the general expression on the usage without indicated specific project, it shall be 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; it the fair value can not 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; (4) Other related conditions (if any) shall

be satisfied according to the specific case of the Company and the subsidy matter.
The asset-related government subsidy shall be confirmed as the deferred income, and it shall be allocated in average and calculated in the current profits and losses within the service life of related asset.
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 in the current profits and losses; If there is no related deferred income, it shall be calculated in the current profits and losses directly.
The government capital investment is excluded in the government subsidy.

(2) Judgment basis and accounting treatment of government subsidies related to profits

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 document does not clearly prescribe the subsidy object, the following ways shall be adopted to divide the subsidy into the income-related government subsidy and asset-related government subsidy: (1) The government document clears the specific project for the subsidy, it shall divide according to the relative ratio of asset expenditure amount and entry cost expenditure amount to be formed in the budget of specific project, review according to the division ratio at each balance sheet date, and change when necessary; (2) The government document only makes the general expression on the usage without indicated specific project, it shall be the income-related government subsidy.
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 expenses; the occurred related expenses and losses for compensation shall be calculated in the current profits and losses directly.

24. 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 Reporting Period 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 form 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.

25. 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.

26. Significant accounting judgments 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 of non-financial non-current 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) Development expenditure

When recognizing the capitalized amount, the management layer of the Company needs to make suppose about the estimated future cash flow, the appropriate discounts rate and the estimated benefit period related to the assets.

(9) 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.

(10) 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.

VI. Taxation

1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 17%, 13%, 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%, 13%, 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%, 9%, 15%, 16.5% and 25% of taxable income	0%, 9%, 15%, 16.5%, 25%

	respectively	
Business tax	Paid by 5% of taxable business income	5%

Notes to the disclosure of taxpaying bodies in different corporate tax rate

Name of taxpaying bodies	Rate of income tax
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%
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%

2. Tax preference

The Company, in accordance with the Notice on Passing the Re-examination of New High-tech Enterprise for 504 Companies Including Jinan Shengquan Group Co., Ltd. (Lu-Ke-Gao-Zi [2012] No. 19) from Department of Science & Technology of Shandong Province, Finance Bureau of Shandong Province, National Taxation Bureau of Shandong and Local Taxation Bureau of Shandong Province, was recognized as a New High-tech Enterprise and obtained the Certificate of New High-tech Enterprise on 31 Oct. 2011. The Company shall, in line with the Article 28 of Enterprise Income Tax Law of the People's Republic of China and Notice of the State Administration of Taxation on the Issues concerning the Administration of Enterprise Income Tax Deduction and Exemption (GSF [2008] No. 111 document), enjoy a 15-percent rate for enterprise income tax.

The Company’s controlled subsidiary— Lufeng Weaving & Dyeing Co., Ltd., in accordance with the Notice on Confirmation of New High-tech Enterprise for 430 Companies Including Jinan Feshen Xinng’an Technologies Co., Ltd. (Lu-Ke-Gao-Zi [2012] No. 38) from Department of Science & Technology of Shandong Province, Finance Bureau of Shandong Province, National Taxation Bureau of Shandong and Local Taxation Bureau of Shandong Province, was recognized as a New High-tech Enterprise and obtained the Certificate of New High-tech Enterprise on 30 Nov. 2011.. The above subsidiary shall, in line with the Article 28 of Enterprise Income Tax Law of the People’s Republic of China and Notice of the State Administration of Taxation on the Issues concerning the Administration of Enterprise Income Tax Deduction and Exemption (GSF [2008] No. 111 document), enjoy a 15-percent rate for enterprise income tax.

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 + 2 years’ duty-free term + 4 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 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.

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.

VII. Notes on major items in consolidated financial statements of the Company

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand	2,111,348.02	1,190,565.56
Bank deposits	742,998,281.72	631,971,943.96
Other monetary funds	50,391,566.33	33,131,288.78
Total	795,501,196.07	666,293,798.30
Of which total amount of deposited abroad	81,371,297.43	22,970,300.95

Other notes:

On 31 Dec. 2016, the monetary capital with restricted ownership of the Company was of RMB 8,188,564.67 (31 Dec. 2015: RMB 29,805,722.42), which was the fixed deposit receipt of RMB 8,000,000.00 in order to pledge and obtain short term loan (See 24 and 58) by the Company's subsidiary Lufeng Weaving & Dyeing and the expenses of the L/G margin of RMB 188,564.67.

2. Financial assets measured by fair value and the changes be included in the current gains and losses

Unit: RMB

Item	Closing balance	Opening balance
Tradable financial assets		71,696,678.70
Derivative financial assets		71,696,678.70
Total		71,696,678.70

Other notes:

3. Derivative financial assets

□ Applicable √ Not applicable

4. Notes receivable

(1) Notes receivable listed by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	12,263,703.90	31,611,924.20
Letter of credit	71,898,206.01	101,533,594.19
Total	84,161,909.91	133,145,518.39

(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	162,288,560.65	
Total	162,288,560.65	

5. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	308,637,549.96	100.00%	15,507,822.03	5.02%	293,129,727.93	276,788,146.79	100.00%	13,940,104.17	5.04%	262,848,042.62
Total	308,637,549.96	100.00%	15,507,822.03	5.02%	293,129,727.93	276,788,146.79	100.00%	13,940,104.17	5.04%	262,848,042.62

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

□ Applicable √ Not applicable

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

√Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Within 1 year	308,294,658.96	15,414,732.93	5.00%
Subtotal within 1 year	308,294,658.96	15,414,732.93	5.00%
1 to 2 years	48,891.00	4,889.10	10.00%
2 to 3 years			

Over 3 years	294,000.00	88,200.00	30.00%
Total	308,637,549.96	15,507,822.03	5.02%

Notes of the basis of recognizing the group:

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

□ Applicable √ Not applicable

In the groups, accounts receivable adopting other methods to accrue bad debt provision:

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 1,820,217.21; the amount of the reversed or collected part during the Reporting Period was of RM B0.00.

(3) The actual write-off accounts receivable

Unit: RMB

Item	Amount
Actual write-off accounts receivable	252,499.35

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

The total amount of the Company’s top 5 of the closing balance of the accounts receivable collected according to the arrears party was RMB 94,193,436.88, 30.52% of the total balance of account receivable at period-end. The relevant total balance of bad debt provision was RMB 4,709,671.84.

6. Prepayment

(1) List by aging analysis:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	211,402,803.04	99.49%	194,103,626.51	98.63%
1 to 2 years	805,437.09	0.38%	1,693,651.78	0.86%
2 to 3 years	242,576.42	0.11%	339,302.71	0.17%
Over 3 years	36,684.96	0.02%	673,323.13	0.34%
Total	212,487,501.51	--	196,809,904.13	--

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

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

The total amount of top 5 of the closing balance of the prepayment collected according to the prepayment target was RMB

106,493,061.96, 50.12% of total balance of prepayment at period-end.

7. Interest receivable

(1) Category of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Fixed time deposit		653,075.08
Total		653,075.08

8. Other accounts receivable

(1) Other accounts receivable disclosed by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	52,008,961.83	100.00%	5,746,126.36	11.05%	46,262,835.47	80,678,238.51	100.00%	9,856,832.23	12.22%	70,821,406.28
Total	52,008,961.83	100.00%	5,746,126.36	11.05%	46,262,835.47	80,678,238.51	100.00%	9,856,832.23	12.22%	70,821,406.28

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

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

√Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Within 1 year	38,835,691.70	1,941,784.58	5.00%
Subtotal within 1 year	38,835,691.70	1,941,784.58	5.00%

1 to 2 years	576,442.77	57,644.28	10.00%
2 to 3 years	323,507.10	64,701.42	20.00%
Over 3 years	12,273,320.26	3,681,996.08	30.00%
Total	52,008,961.83	5,746,126.36	11.05%

Notes of the basis of recognizing the group:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting other methods to accrue bad debt provision:

□ Applicable √ Not applicable

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB-4,031,689.37; the amount of the reversed or collected part during the Reporting Period was of RMB 0.00.

(3) The actual write-off other accounts receivable

Unit: RMB

Item	Amount
Actual write-off other accounts receivable	79,016.50

(4) Other accounts receivable classified by the nature of accounts

Unit: RMB

Nature	Closing book balance	Opening book balance
Export taxes refund	18,563,850.28	23,876,307.85
Advance payment	17,597,169.14	33,467,444.93
Pledge and guarantee	3,757,964.01	6,956,093.54
Lending and deposit	1,404,072.87	3,811,593.38
Other	10,685,905.53	12,566,798.81
Total	52,008,961.83	80,678,238.51

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion of the total end balance of the accounts receivable (%)	Closing balance of bad debt provision

Export taxes refund receivable	Export taxes refund	15,898,164.68	Within 1 year	30.57%	794,908.23
Advance money receivable of the fundraising houses	Advance money	6,878,257.09	Within 1 year	13.22%	343,912.85
Deposits for wages paid to migrant workers of Zichuan District, Zibo	Deposits for wages paid to migrant workers of infrastructure works	2,955,620.10	Over 3 years	5.68%	886,686.03
Finance Bureau of Zichuan District, Zibo	Export tax refunds of the local government	2,665,685.60	Over 3 years	5.13%	799,705.68
Advance money receivable of the heating	Advance money	2,122,894.75	Within 1 year	4.08%	106,144.74
Total	--	30,520,622.22	--	58.68%	2,931,357.53

9. Inventory

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

No

(1) Category of inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	719,354,838.11	620,979.00	718,733,859.11	608,670,473.36	1,635,229.99	607,035,243.37
Products in process	412,808,521.45		412,808,521.45	445,688,953.21		445,688,953.21
Inventory goods	731,266,751.73	64,673,863.30	666,592,888.43	714,280,833.84	43,608,998.71	670,671,835.13
Consumptive biological assets	1,141,156.72	671,556.72	469,600.00	869,404.33	392,309.29	477,095.04
Assigned processing products	18,095,572.86		18,095,572.86	20,090,846.49		20,090,846.49
Total	1,882,666,840.87	65,966,399.02	1,816,700,441.85	1,789,600,511.23	45,636,537.99	1,743,963,973.24

Whether the Company is required to comply with the "Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 4 - listed companies engaged in seed industry, planting business" disclosure requirements

No

(2) Falling price reserves of inventory

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,635,229.99	620,979.00		1,635,229.99		620,979.00
Inventory goods	43,608,998.71	45,396,578.64		24,331,714.05		64,673,863.30
Consumptive biological assets	392,309.29	503,423.59		224,176.16		671,556.72
Total	45,636,537.99	46,520,981.23		26,191,120.20		65,966,399.02

Item	Specific basis of withdrawal of falling price reserves of inventory	Reasons for reversal	Reasons for write-off
Raw materials	The lower one between cost of each item of inventory and its realizable net value.		Sale in this year
Inventory goods	The lower one between cost of each item of inventory and its realizable net value.		Sale in this year
Consumptive biological assets	The lower one between cost of each item of inventory and its realizable net value.		Sale in this year

Notes:

① due to the quality problem in the garment accessories of partial raw materials, raw yarn and dyed yarn of finished goods and long age of partial shirts and fabric at the year-end as well as the falling market price of the consumptive biological assets-Hu-sheep, the costs of inventories became higher than the realizable net value, and the Company withdrew the provision for falling price of inventories according to their balance.

② Lu Thai (Xinjiang) Textile Co., Ltd., the Company’s subsidiary got the short-term borrowing of RMB 50 million with the inventory pledge of RMB 12 million book value.

10. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid income tax to be deducted	1,325,487.99	3,108,886.97

VAT input tax to be deducted	40,242,307.31	16,640,924.10
Buy-back amount of B Share		20,634,142.65
Payment of the shares		17,007,362.62
Sales the shares	65,968,094.08	
Total	107,535,889.38	57,391,316.34

Other notes:

11. Available-for-sale financial assets

(1) List of available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	67,442,600.00	42,782,600.00	24,660,000.00	67,442,600.00		67,442,600.00
Measured by cost	67,442,600.00	42,782,600.00	24,660,000.00	67,442,600.00		67,442,600.00
Total	67,442,600.00	42,782,600.00	24,660,000.00	67,442,600.00		67,442,600.00

(2) Available-for-sale financial assets measured by cost at the period-end

Unit: RMB

Investee	Book balance				Impairment provision				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Period-begin	Increase	Decrease	Period-end	Period-begin	Increase	Decrease	Period-end		
Zibo Chengshun Heating Co., Ltd. (hereinafter refer to as "Chengshun Heating")	160,000.00			160,000.00					2.00%	
Yantai Rongchan	55,282,600.00			55,282,600.00		42,782,600.00		42,782,600.00	4.13%	

g Pharmacy Co., Ltd. (hereinafter refer to as “Rongchang Pharmacy”)										
Shandong Hongqiao Power Co., Ltd. (Hongqiao Power)	12,000,000.00			12,000,000.00					19.38%	
Total	67,442,600.00			67,442,600.00		42,782,600.00		42,782,600.00	--	

12. Long-term accounts receivable

(1) List of long-term accounts receivable

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financing lease receivables	2,310,000.00		2,310,000.00	4,980,998.00		4,980,998.00	10.54%
Of which: unrealized financing income	55,436.96		55,436.96	332,959.49		332,959.49	
Total	2,310,000.00		2,310,000.00	4,980,998.00		4,980,998.00	--

13. Investment property

(1) Investment property adopted the cost measurement mode

√Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Work in process	Total
I. Original book value				

1. Opening balance				
2. Increased amount of the Period	35,848,151.08			35,848,151.08
(1) Purchase				
(2) Inventory/fixed assets / transfer of project under construction	35,848,151.08			35,848,151.08
(3) Enterprise combination increase				
3. Decreased amount of the Period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	35,848,151.08			35,848,151.08
II. Accumulative depreciation				
1. Opening balance				
2. Increased amount of the Period	10,004,060.52			10,004,060.52
(1) Withdrawal or amortization	854,487.76			854,487.76
(2) Accumulated depreciation of fixed assets	9,149,572.76			9,149,572.76
3. Decreased amount of the Period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	10,004,060.52			10,004,060.52
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the Period				
(1) Withdrawal				
3. Decreased amount of the Period				
(1) Disposal				
(2) Other transfers				
4. Closing balance				
IV. Book value				
1. Closing book value	25,844,090.56			25,844,090.56
2. Opening book value				

14. Fixed assets

(1) List of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic and other equipment	Total
I. Original book value					
1. Opening balance	2,678,346,700.26	5,590,479,536.09	72,011,120.11	111,875,276.29	8,452,712,632.75
2. Increased amount of the period	365,912,600.31	351,655,412.90	4,717,701.63	14,265,397.28	736,551,112.12
(1) Outsourcing	8,692,949.37	288,590,774.04	4,717,701.63	9,320,089.56	311,321,514.60
(2) Transfer of inventory\fixed assets\project under construction	357,219,650.94	63,064,638.86		4,945,307.72	425,229,597.52
(3) Increased from enterprise merger					
	40,493,414.19	40,203,798.06	7,366,410.57	17,987,523.32	106,051,146.14
3. Decreased amount of the period	4,645,263.11	40,203,798.06	7,366,410.57	17,987,523.32	70,202,995.06
(1) Disposal or Scrap	35,848,151.08				35,848,151.08
	3,003,765,886.38	5,901,931,150.93	69,362,411.17	108,153,150.25	9,083,212,598.73
4. Closing balance					
II. Accumulative depreciation	743,043,738.02	2,643,463,604.14	52,009,768.71	79,137,398.87	3,517,654,509.74
1.Opening balance	85,589,692.42	259,761,428.62	4,727,962.88	9,060,478.74	359,139,562.66
2. Increased amount of the period	85,589,692.42	259,761,428.62	4,727,962.88	9,060,478.74	359,139,562.66
(1) Withdrawal	12,061,140.85	33,085,680.68	6,327,777.34	13,981,609.77	65,456,208.64
	2,911,568.09	33,085,680.68	6,327,777.34	13,981,609.77	56,306,635.88
3. Decreased amount of the period	9,149,572.76				9,149,572.76

(1) Disposal or scrap	816,572,289.59	2,870,139,352.08	50,409,954.25	74,216,267.84	3,811,337,863.76
4. Closing balance	4,823,890.00	22,535,428.59	53,835.13	69,499.45	27,482,653.17
III. Depreciation reserves	6,780.26	1,718,834.35		15,691.53	1,741,306.14
1.Opening balance	6,780.26	1,718,834.35		15,691.53	1,741,306.14
2. Increased amount of the period		1,657,571.60	26,565.46	547.08	1,684,684.14
(1) Withdrawal		1,657,571.60	26,565.46	547.08	1,684,684.14
	4,830,670.26	22,596,691.34	27,269.67	84,643.90	27,539,275.17
3. Decreased amount of the period					
(1) Disposal or scrap	2,182,362,926.53	3,009,195,107.51	18,925,187.25	33,852,238.51	5,244,335,459.80
	1,930,479,072.24	2,924,480,503.36	19,947,516.27	32,668,377.97	4,907,575,469.84
4. Closing balance					
IV. Book value	2,678,346,700.26	5,590,479,536.09	72,011,120.11	111,875,276.29	8,452,712,632.75
1. Closing book value	365,912,600.31	351,655,412.90	4,717,701.63	14,265,397.28	736,551,112.12
2. Opening book value	8,692,949.37	288,590,774.04	4,717,701.63	9,320,089.56	311,321,514.60

(2) Fixed assets leased out from operation lease

Unit: RMB

Item	Closing book value
Houses and buildings	10,469,900.93

(3) Details of fixed assets failed to accomplish certification of property

Unit: RMB

Item	Book value	Reason
Weaving and yarn dying workshop	109,119,741.59	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee’s dormitory building of eastern area of industrial park	45,462,923.66	Same with above

Spinning Fourth factory workshop	96,952,590.50	Same with above
Employee's dormitory building of western area of industrial park	130,021,743.30	Same with above
Lufeng weaving dye workshop	32,543,630.20	Same with above

Other notes:

Note: Lu Thai (Xinjiang) Textile Co., Ltd., the Company's subsidiary got the short-term borrowing of RMB 80 million with the pledge of RMM 30,265,483.04 fixed asset at the book value and RMB 671,845.07 land use right at the book value and the deposit of RMB 8 million, see 24 and 58.

15. Construction in progress

(1) List of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Complex building and employee's dormitory building in western area of Lu Thai				849,549.02		849,549.02
A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project				4,337,162.70		4,337,162.70
Factory project of Xinjiang Lu Thai				1,153,723.06		1,153,723.06
Reform project of Xinsheng Thermal Power	13,387,636.75		13,387,636.75	30,335,215.53		30,335,215.53
Expansion project of Xinsheng Thermal Power	72,155,299.06		72,155,299.06			
Energy conservation	9,607,705.02		9,607,705.02	9,445,960.77		9,445,960.77

project of Helijie						
Lu Thai (Cambodia) garment project				3,202,357.80		3,202,357.80
Lu Thai (Burma) project				27,134,693.98		27,134,693.98
Lu Thai (Vietnam) project	26,114,552.04		26,114,552.04	86,589,660.94		86,589,660.94
Other small projects	3,966,433.79		3,966,433.79			
Total	29,436,732.30		29,436,732.30	42,045,705.70		42,045,705.70

(2) Changes of significant construction in progress

Unit: RMB

Name of item	Estimated number	Opening balance	Increased amount of the period	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Proportion on estimated of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Complex building and employee's dormitory building in western area of Lu Thai	106,500,000.00	849,549.02	372,553.16	1,222,102.18			100.00%	100%				Other
A new 230,000-spindle production line	928,660,000.00	4,337,162.70	18,498,690.80	22,835,853.50			100.00%	100%				Other

project and a new 35,000-ingot two-for-one twisting production line project												
Factory project of Xinjiang Lu Thai	26,150,000.00	1,153,723.06	7,970,023.00	9,123,746.06			100.00%	100%				Other
Reform project of Xinsheng Thermal Power	62,770,000.00	30,335,215.53	23,803,714.89	40,751,293.67		13,387,636.75	86.00%	86%				Other
Expansion project of Xinsheng Thermal Power	240,000,000.00		72,155,299.06			72,155,299.06	30.00%	30%				Other
Energy conservation project of Helijie	40,880,000.00	9,445,960.77	2,596,594.25	2,434,850.00		9,607,705.02	99.00%	99%				Other
Lu Thai (Cambodia) garment project	123,056,000.00	3,202,357.80	2,365,514.26	5,567,872.06			100.00%	100%				Other
Lu Thai	61,136,0	27,134,6	8,603,51	35,738,2			100.00%	100%				Other

(Burma) project	00.00	93.98	4.10	08.08								
Lu Thai (Vietnam) project	242,282,300.00	86,589,660.94	145,789,832.98	206,264,941.88		26,114,552.04	96.00%	96%				Other
Other small projects	93,035,700.00		77,107,150.34	73,140,716.55		3,966,433.79	83.00%	83%				Other
Total		42,045,705.70	15,541,040.14	28,150,013.54		29,436,732.30						--

16. Engineering material

Unit: RMB

Item	Closing balance	Opening balance
Specific materials	6,491.45	187,384.85
Specific equipment	117,113,972.05	6,132,398.32
Total	117,120,463.50	6,319,783.17

17. Productive biological assets

(1) Productive biological assets adopted cost measurement mode

√ Applicable □ Not applicable

Unit: RMB

Item	Planting industry	Livestock	Forestry	Aquaculture	Total
		Hu sheep			
I. Original book value					
1. Opening balance		1,398,871.02			1,398,871.02
2. Increased amount of the period		736,690.16			736,690.16
(1) Outsourcing		39,650.00			39,650.00
(2) Self cultivate		697,040.16			697,040.16
		330,451.75			330,451.75
3. Decreased amount of the period		254,500.00			254,500.00

(1) Disposal		75,951.75			75,951.75
(2) Other		1,805,109.43			1,805,109.43
4. Closing balance		221,757.13			221,757.13
II. Accumulative depreciation		291,369.95			291,369.95
1. Opening balance		291,369.95			291,369.95
2. Increased amount of the period		89,310.40			89,310.40
(1) Withdrawal		74,477.25			74,477.25
		14,833.15			14,833.15
3. Decreased amount of the period		423,816.68			423,816.68
(1) Disposal					
(2) Other					
4. Closing balance					
III. Depreciation reserves					
1. Opening balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		1,381,292.75			1,381,292.75
(1) Disposal		1,177,113.89			1,177,113.89
(2) Other					
		1,398,871.02			1,398,871.02
4. Closing balance		736,690.16			736,690.16
IV. Book value		39,650.00			39,650.00
1. Closing book value		697,040.16			697,040.16
2. Opening book		330,451.75			330,451.75

value					

18. Intangible assets

(1) List of intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patent right	Total
I. Original book value				
1. Opening balance	446,803,403.64	1,985,176.47	480,000.00	449,268,580.11
2. Increased amount of the period	33,169,532.18			33,169,532.18
(1) Purchase	33,169,532.18			33,169,532.18
(2) Internal R&D				
(3) Enterprise combination increase				
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance	479,972,935.82	1,985,176.47	480,000.00	482,438,112.29
II. Accumulated amortization				
1. Opening balance	84,646,918.80	1,025,674.68	210,000.00	85,882,593.48
2. Increased amount of the period	12,073,923.74	198,517.68	30,000.00	12,302,441.42
(1) Withdrawal	12,073,923.74	198,517.68	30,000.00	12,302,441.42
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance	96,720,842.54	1,224,192.36	240,000.00	98,185,034.90
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
4. Closing balance				
IV. Book value				
1. Closing book value	383,252,093.28	760,984.11	240,000.00	384,253,077.39
2. Opening book value	362,156,484.84	959,501.79	270,000.00	363,385,986.63

The proportion the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the period-end is 0.00%.

19. R&D expenses

Unit: RMB

Item	Opening balance	Increase			Decrease			Closing balance
		Internal development expenses			Recognized as intangible assets	Transfer into current profits or losses		
Product development		289,826,541.83				289,826,541.83		
Total		289,826,541.83				289,826,541.83		

20. Goodwill

(1) Original book value of goodwill

Unit: RMB

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing 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

21. Long-term unamortized expenses

Unit: RMB

Item	Opening balance	Increased amount	Amortization amount	Decrease	Closing balance
Land contracting fee of Xinjiang Luthai	27,639,383.04	200,000.00	1,046,113.68		26,793,269.36
Land rent of overseas subsidiaries	57,484,762.21	30,812,175.30	1,401,964.61		86,894,972.90
Housing rent of overseas subsidiaries		718,829.84	179,707.56		539,122.28
Total	85,124,145.25	31,731,005.14	2,627,785.85		114,227,364.54

Other notes:

22. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets had not been off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	140,348,122.97	22,081,838.10	88,791,730.93	14,770,956.88
Unrealized internal sales gain and loss	81,198,211.62	9,319,462.09	62,610,524.74	8,953,164.62
One-time listed decoration expenses	2,901,238.68	725,309.67		
Payroll payable	110,698,173.59	17,032,239.77	113,279,841.30	17,414,870.28
Deferred income	94,231,052.79	14,024,943.00	93,945,118.42	13,979,718.50
Change of fair value of trading financial liabilities			46,695,875.00	7,004,381.25
Total	429,376,799.65	63,183,792.63	405,323,090.39	62,123,091.53

(2) Deferred income tax liabilities had not been off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	13,289,056.67	2,192,694.35	12,513,412.24	2,064,713.02
Total	14,188,423.45	2,341,089.87	13,289,056.67	2,192,694.35

(3) Deferred income tax assets or liabilities listed by net amount after off-set

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Amount of deferred income tax assets or liabilities after off-set at the period-end	Mutual set-off amount of deferred income tax assets and liabilities at the period-begin	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		63,183,792.63		62,123,091.53

Deferred income tax liabilities		2,341,089.87		2,192,694.35

(4) List of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	17,124,084.90	8,124,396.63
Deductible losses	28,727,921.83	134,950,376.05
Total	45,852,006.73	143,074,772.68

(5) Deductible losses of unrecognized deferred income tax assets will due the following years

Unit: RMB

Years	Closing amount	Opening amount	Notes
Y 2017	649,483.64	20,826,906.25	
Y 2018	125,946.78	23,670,032.23	
Y 2019	1,456,659.23	23,798,042.42	
Y 2020	22,245,128.73	57,112,714.07	
Y 2021	4,250,703.45		
Total	28,727,921.83	125,407,694.97	--

23. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayment for equipment	5,853,067.38	21,721,084.27
Prepayment for land	25,406,401.00	12,781,283.00
Total	31,259,468.38	34,502,367.27

24. Short-term loans

(1) Category of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Pledge loan		28,266,701.32
Mortgage loan	310,000,000.00	180,000,000.00

Guaranteed loan	33,987,976.00	50,000,000.00
Credit loan	529,273,880.02	544,499,617.58
Total	873,261,856.02	802,766,318.90

25. Financial liabilities measured by fair value and the changes included in the current gains and losses

Unit: RMB

Item	Closing balance	Opening balance
Transaction financial liabilities		46,695,875.00
Derivative financial liabilities		46,695,875.00
Total		46,695,875.00

26. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Trade acceptance		2,709,149.48
Bank acceptance bill		400,000.00
Total		3,109,149.48

The total amount of the due but not pay notes payable at the period-end was of RMB0.00.

27. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Purchase of goods	149,708,800.67	163,649,100.70
Engineering equipment	82,922,798.32	79,077,530.07
Other	19,906,964.07	5,843,774.80
Total	252,538,563.06	248,570,405.57

28. Advance from customers

(1) List of advance from customers

Unit: RMB

Item	Closing balance	Opening balance
Advance from goods	89,451,314.62	95,077,531.32

Total	89,451,314.62	95,077,531.32

29. Payroll payable

(1) List of Payroll payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	290,779,347.63	1,400,373,114.90	1,375,614,314.43	315,538,148.10
II. Post-employment benefit-defined contribution plans	484,251.99	214,414,273.87	214,818,224.05	80,301.81
III. Termination benefits		4,270,971.98	4,270,971.98	
Total	291,263,599.62	1,619,058,360.75	1,594,703,510.46	315,618,449.91

(2) List of Short-term salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	253,024,097.84	1,221,798,714.15	1,201,789,528.86	273,033,283.13
2. Employee welfare		54,386,604.59	54,386,604.59	
3. Social insurance	254,795.56	80,250,769.44	80,462,718.97	42,846.03
Including: 1. Medical insurance premiums	227,380.70	68,989,626.42	69,181,088.52	35,918.60
Work-related injury insurance	12,394.93	6,209,349.84	6,215,633.82	6,110.95
Maternity insurance	15,019.93	5,051,793.18	5,065,996.63	816.48
4. Housing fund	22,460.32	18,347,586.70	18,369,379.95	667.07
5. Labor union budget and employee education budget	37,477,993.91	25,589,440.02	20,606,082.06	42,461,351.87
Total	290,779,347.63	1,400,373,114.90	1,375,614,314.43	315,538,148.10

(3) List of drawing scheme

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension benefits	458,648.69	203,122,516.82	203,507,441.69	73,723.82

Unemployment insurance	25,603.30	11,291,757.05	11,310,782.36	6,577.99
Total	484,251.99	214,414,273.87	214,818,224.05	80,301.81

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 26% and 1.5% 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.

30. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	8,584,752.76	8,095,634.56
Business tax	45,985,549.11	54,874,320.89
Corporate income tax	1,376,971.80	677,155.21
Personal income tax	6,314,742.98	3,706,913.14
Urban maintenance and construction tax		346,838.39
Stamp tax	468,060.60	452,140.04
Property tax	4,484,688.82	4,554,321.87
Land use tax	4,428,494.17	4,592,696.80
Education Surcharge	2,798,858.01	1,668,460.01
Local education surtax	1,865,905.35	1,112,306.69
Local water conservancy facility construction fund	906,683.07	534,220.54
Total	77,214,706.67	80,615,008.14

31. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	1,165,730.47	1,851,876.78
Total	1,165,730.47	1,851,876.78

32. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance

Common stock dividends of the Group	441,113.64	441,113.64
Total	441,113.64	441,113.64

Note: Including significant unpaid dividends payable over one year, the unpaid reason shall be disclosed:

33. Other accounts payable

(1) Other accounts payable listed by nature of the account

Unit: RMB

Item	Closing balance	Opening balance
The deposit and guarantee	18,768,467.36	19,946,789.66
Collecting payment on behalf of others	22,870,555.86	16,801,587.86
Intercourse funds	2,641,922.16	2,941,300.16
Other	25,084,695.77	22,825,136.85
Total	69,365,641.15	62,514,814.53

(2) Other significant accounts payable with aging over one year

Unit: RMB

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

34. Long-term loan

(1) Category of long-term loan

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	135,678,044.89	
Total	135,678,044.89	

35. Long term payroll payable

(1) List of long term payroll payable

Unit: RMB

Item	Closing balance	Opening balance
III. Other long term welfare	79,122,422.89	81,499,403.98

Total	79,122,422.89	81,499,403.98

36. Deferred income

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	95,802,118.42	2,601,700.00	2,468,765.59	95,935,052.83	Government subsidies
Unrealized financing incomes	332,959.49		277,522.53	55,436.96	Finance lease
Total	96,135,077.91	2,601,700.00	2,746,288.12	95,990,489.79	--

Items involved in government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Land	62,052,085.09		1,393,157.88		60,658,927.21	Related to the assets
Equipment	32,793,033.33	2,601,700.00	942,607.75		34,452,125.58	Related to the assets
Production biological assets	957,000.00		132,999.96		824,000.04	Related to the assets
Total	95,802,118.42	2,601,700.00	2,468,765.59		95,935,052.83	--

37. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Other	1,840,000.00	1,840,000.00
Total	1,840,000.00	1,840,000.00

38. Share capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of	955,758,496.00						955,758,496.00

shares							

Notes:

According to the Company's resolution of Proposal on Repurchasing the Company's some A shares and B shares in the first extraordinary shareholder's meeting on 5 Aug. 2015, the Company repurchased 33,156,185.00 shares of domestic listed foreign shares (B shares).

39. Capital reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	948,167,616.39		253,706,278.05	694,461,338.34
Other capital reserves	58,978,550.58	668.91		58,979,219.49
Total	1,007,146,166.97	668.91	253,706,278.05	753,440,557.83

Other notes, including changes and reason of change:

The capital reserve was reduced by RMB 253,706,278.05 at this year, and it was caused by repurchasing 33,156,185.00 shares of domestic listed foreign shares (B shares).The Company repurchased HKD 339,661,433.43 of domestic listed foreign shares (B shares) in monetary way (it is equivalent to RMB 286,862,463.05 according to the exchange rate at the repurchasing day) according to the highest price of HKD 10.55 for per share and the lowest price of HKD 9.92, the equity of RMB 33,156,185.00 was reduced respectively, and capital reserve- capital premium was reduced by RMB 253,706,278.05.

40. Treasury stock

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
The Company's shared acquired due to the reduce of registered capital		11,610,721.68		11,610,721.68
Total		11,610,721.68		11,610,721.68

41. Other comprehensive income

Unit: RMB

Item	Opening balance	Reporting Period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	

			that recognized into other comprehensive income in prior period				
II. Other comprehensive reclassified into profits or losses	17,090,772.31	36,202,772.58			36,202,772.58		53,293,544.89
Converted difference of the foreign currency financial statement	17,090,772.31	36,202,772.58			36,202,772.58		53,293,544.89
total	17,090,772.31	36,202,772.58			36,202,772.58		53,293,544.89

42. Surplus reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	812,306,931.70	73,113,278.76		885,420,210.46
Discretional surplus reserves	3,341,572.58			3,341,572.58
Total	815,648,504.28	73,113,278.76		888,761,783.04

Other note, including changes and reason of change:

Notes: According to the provisions in Corporate Law and Articles of Association, the Company extracted the statutory surplus reserve at 10% of the net profit.

43. Retained profits

Unit: RMB

Item	Reporting Period	Last period
Opening balance of retained profits before adjustments	4,053,079,857.70	3,892,066,534.32
Opening balance of retained profits after adjustments	4,053,079,857.70	3,892,066,534.32
Add: Net profit attributable to owners of the Company	805,446,326.99	712,193,243.19
Less: Withdrawal of statutory surplus reserves	73,113,278.76	73,300,671.81
Dividend of common stock payable	465,525,373.50	477,879,248.00
Closing retained profits	4,319,887,532.43	4,053,079,857.70

List of adjustment of opening retained profits:

1) RMB000 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

2) RMB000 opening retained profits was affected by changes on accounting policies.

3) RMB000 opening retained profits was affected by correction of significant accounting errors.

4) RMB000 opening retained profits was affected by changes in combination scope arising from same control.

5) RMB000 opening retained profits was affected totally by other adjustments.

44. Revenues and operating costs

Unit: RMB

Item	Reporting Period		Last period	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	5,713,165,522.27	3,838,046,141.02	5,909,772,762.98	4,175,234,398.18
Other operations	268,585,822.36	166,975,276.36	263,550,015.63	165,800,478.86
Total	5,981,751,344.63	4,005,021,417.38	6,173,322,778.61	4,341,034,877.04

45. Business tax and surcharges

Unit: RMB

Item	Reporting Period	Last period
Urban maintenance and construction tax	30,239,685.31	28,144,085.36
Education surcharge	13,667,756.39	12,865,492.60
Property tax	13,107,952.04	
Land use tax	12,854,644.38	
Vehicle usage tax	61,044.20	
Stamp tax	2,550,190.04	
Business tax	593,989.16	1,699,505.61
Local education surtax	9,111,881.84	8,576,995.04
Local water conservancy facility construction fund	4,332,576.60	4,023,905.42
Total	86,519,719.96	55,309,984.03

46. Sales expenses

Unit: RMB

Item	Reporting Period	Last period
Salary	50,423,791.03	52,872,651.88
Transport fees	34,708,081.50	33,139,133.69

Advertising expense	12,619,004.10	24,551,068.37
Mall costs	8,740,936.16	13,806,476.08
Terminal Handing charges	10,170,488.09	7,552,206.39
Depreciation charge	5,654,563.26	7,225,171.78
Business travel charges	6,656,203.48	1,186,716.19
Travel expense	4,928,478.09	5,319,184.05
Copyright royalty	891,154.41	3,227,464.60
Rental charges	1,524,816.35	2,681,385.17
Design charges	2,209,686.15	2,553,719.50
Other	20,342,790.60	37,818,117.49
Total	158,869,993.22	191,933,295.19

47. Administrative expenses

Unit: RMB

Item	Reporting Period	Last period
R&D expenses	289,826,541.83	294,928,756.29
Salary	132,863,419.92	115,940,476.52
Taxes	14,735,118.17	40,962,025.54
Depreciation charge	24,202,687.01	36,733,403.06
Warehouse funding	24,187,533.53	21,383,855.97
Travel expense	24,028,119.88	9,486,878.28
Rental charges	14,837,609.14	15,572,868.91
Labor-union expenditure	14,792,241.78	14,842,795.98
Employee education budget	10,797,684.26	10,483,788.24
Amortization of intangible assets	10,442,349.46	10,383,276.33
Transport fees	6,941,005.81	6,815,115.78
Other	91,744,575.79	93,171,143.39
Total	659,398,886.58	670,704,384.29

Notes:

48. Financial expenses

Unit: RMB

Item	Reporting Period	Last period
Interest expenses	18,895,107.98	18,898,648.84

Less: Interest income	5,867,570.13	6,226,423.16
Less: Amount of capitalized interest		
Exchange gains and losses	953,185.06	-3,061,394.46
Less: capitalization of foreign currency exchange gains and losses		
Other	6,716,938.73	6,870,192.67
Total	20,697,661.64	16,481,023.89

49. Asset impairment loss

Unit: RMB

Item	Reporting Period	Last period
I. Bad debt loss	-2,211,472.16	4,827,646.30
II. Inventory falling price loss	46,520,981.23	19,902,794.60
III. Impairment losses on available-for-sale financial assets	42,782,600.00	
VII. Impairment losses of fix asset impairment loss	1,741,306.14	2,567,004.84
Total	88,833,415.21	27,297,445.74

50. Gains on the changes in the fair value

Unit: RMB

Source	Reporting Period	Last period
Financial assets measured by fair value and the changes be included in the current profits and losses	17,296,256.36	-17,296,256.36
Financial liabilities measured by fair value and the changes included in the current gains and losses	46,695,875.00	-43,389,675.00
Total	63,992,131.36	-60,685,931.36

51. Investment income

Unit: RMB

Item	Reporting Period	Last period
Investment income received from financial assets measured by fair value and the changes be included in the current profits and losses	1,381,926.82	373,901.27

during holding period		
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	-62,161,587.02	31,166,114.24
Total	-60,779,660.20	31,540,015.51

52. Non-operating gains

Unit: RMB

Item	Reporting Period	Last period	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	1,573,832.63	959,445.92	1,573,832.63
Including: Gains from disposal of fixed assets	1,573,832.63	959,445.92	1,573,832.63
Government subsidies	64,121,633.01	43,266,788.43	64,121,633.01
Other	9,558,685.34	7,975,499.49	9,558,685.34
Total	75,254,150.98	52,201,733.84	75,254,150.98

Government subsidies recorded into current profits and losses

Unit: RMB

Item	Distribution entity	Distribution reason	Nature/type	Whether influence the profits or losses of the year or not	Whether Special subsidy or not	Reporting Period	Last period	Related to the assets/ income
Contract energy management financial reward	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national	Yes	No	3,230,000.00		Related to the income

			policy)					
Funds for encouraging foreign trade development	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	67,700.00		Related to the income
Export credit insurance premiums	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	22,700.00		Related to the income
Export credit insurance premiums	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy	Yes	No	20,500.00		Related to the income

			(obtaining in line with the law and the regulations of national policy)					
Funds for Industrial upgrading and upgrading	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	1,000,000.00		Related to the income
Funds for foreign trade development	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	52,400.00		Related to the income
Agricultural loan Discounts	Akesu Prefecture Bureau of Finance, Office of	Subsidy	Due to engaged in special industry that the state	Yes	No	150,000.00		Related to the income

	Poverty Alleviation and Development of Akesu Prefecture		encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					
Loan subsidy	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	270,000.00		
Labor training subsidy	Human Resources and Social Security Bureau of Akesu Prefecture, Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	220,800.00		
World Bank loan subsidy	The county government office of Pupi Avati	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	517,000.00		Related to the income
Lint freight	Finance	Subsidy	Subsidy	Yes	No	2,850,000.00		Related to the

subsidies	Department of the Xinjiang Uygur Autonomous Region		gained due to confirming with local government attracting investment and local supportive policy etc.					income
Electricity Finance subsidies	The Letter Committee of the Xinjiang Uygur Autonomous Region, Development and Reform Commission of Autonomous Region, Finance Department of Autonomous Region, Chinese power company in Xinjiang	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	318,191.00		Related to the income
VAT subsidy funds	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	7,000,000.00		Related to the income
Electricity subsidy		Subsidy	Subsidy gained due to confirming	Yes	No	308,664.00		Related to the income

	Akesu Prefecture Bureau of Finance		with local government attracting investment and local supportive policy etc.					
Xinjiang cotton subsidies	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	5,169,900.00		Related to the income
Loan discounts	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	22,200.00		Related to the income
Cotton yarn freight subsidies	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	5,034,500.00		Related to the income
Loan discounts	Akesu Prefecture Bureau of	Subsidy	Subsidy gained due to confirming with local government attracting	Yes	No	5,079,500.00		Related to the income

	Finance		investment and local supportive policy etc.					
Cotton yarn freight subsidies	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	4,151,915.00		Related to the income
Electricity subsidy	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	335,556.00		Related to the income
Electricity subsidy	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	313,920.00		Related to the income
Comprehensive utilization of resources drawback	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained	Yes	No	1,257,701.12		Related to the income

			subsidy (obtaining in line with the law and the regulations of national policy)					
Funds for foreign trade development	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	600,000.00		Related to the income
Export credit insurance subsidy	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	200,000.00		Related to the income
Foreign economic and trade cooperation	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that	Yes	No	596,400.00		Related to the income

subsidies			the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					
Import discount interest funds	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	52,000.00		Related to the income
"TOP 50 enterprises" management consulting special subsidies	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national	Yes	No	650,000.00		Related to the income

			policy)					
E-commerce business award	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	100,000.00		Related to the income
Export credit subsidy	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	73,500.00		Related to the income
Energy saving outstanding contribution award	People's Government of Shandong Province	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	1,000,000.00		Related to the income
Award for Science and Technology	People's Government of Shandong Province	Award	Subsidy from R&D Technical updating and	Yes	No	50,000.00		Related to the income

			transformation, etc.					
Science and technology innovation support Award	Zibo High-tech Industrial Development Zone Management Committee	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	120,000.00		Related to the income
Project Energy Conservation Award	Zibo Municipal Bureau of housing and urban rural development, Zibo Municipal Finance Bureau	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	171,850.00		Related to the income
Provincial export award	Finance Bureau of Zichuan District	Award	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	42,400.00		Related to the income
Patent creation award	Department of Finance of Shandong		Due to engaged in special industry that the state encouraged and supported,	Yes	No	12,000.00		Related to the income

		Award	gained subsidy (obtaining in line with the law and the regulations of national policy)					
Graduate employment apprentice subsidies	Human Resources and Social Security Bureau of Zibo, Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	384,000.00		Related to the income
Award for Science and Technology of Shandong	People's Government of Shandong Province	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	100,000.00		Related to the income
Municipal standardization project funds	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the	Yes	No	300,000.00		Related to the income

			regulations of national policy)					
Subsidies for unemployment and stable position	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	4,605,885.00		Related to the income
Export credit insurance subsidy	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	60,200.00		Related to the income
Taishan industry leading talent project subsidy	Finance Bureau of Zichuan District	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	2,000,000.00		Related to the income
Social insurance	Financial Department	Subsidy	Due to engaged in	Yes	No	306,306.60		

subsidies and post subsidies	of Shandong, Department of Labour and Social Security of Shandong		special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					Related to the income
Science and technology innovation support Award	Zibo High-tech Industrial Development Zone Management Committee	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	348,000.00		Related to the income
Social security subsidies	Finance Bureau of Shandong ,Human Resources and Social Security Bureau of Shandong	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	416,421.00		Related to the income
Funds for development of foreign trade and economic cooperation	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged	Yes	No	228,200.00		

			and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					Related to the income
Employment subsidy	Financial Department of Shandong, Department of Labour and Social Security of Shandong	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	629,620.00		Related to the income
Award for Science and Technology	CTEI	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	10,000.00		Related to the income
Provincial key laboratory grants	Finance Bureau of Zibo	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	1,500,000.00		Related to the income
Social insurance subsidies and	Financial Department of Shandong,	Subsidy	Due to engaged in special	Yes	No	1,602,937.70		

post subsidies	Department of Labour and Social Security of Shandong		industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					Related to the income
Garden, green land upgrade subsidies	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	8,070,000.00		Related to the income
Party members training subsidies	Zibo Municipal Committee of CPC	Subsidy		Yes	No	30,000.00		Related to the income
Subsidy for independent innovation and achievements transformation	Finance Bureau of Zibo	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		1,000,000.00	Related to the income

The outstanding contribution prize in science and technology innovation	Zibo High-tech Industrial Development Zone Management Committee	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		502,400.00	Related to the income
Funds for encouraging foreign trade development	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		422,000.00	Related to the income
Funds for development of center foreign trade and economic cooperation	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		100,000.00	Related to the income
Saving energy funds	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that	Yes	No		330,000.00	

			the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					Related to the income
Credit insurance premium subsidies	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		372,024.00	Related to the income
Project funds allowance	Ministry of Science and Technology	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		278,500.00	Related to the income
Project funds subsidy	Ministry of Science and Technology	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		46,000.00	Related to the income
Social security subsidy	Career office of Zichuan District	Subsidy	Subsidy gained due to confirming	Yes	No		7,082.10	Related to the income

			with local government attracting investment and local supportive policy etc.					
Science and technology innovation fund	Finance Bureau of Chuan District	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		4,640,000.00	Related to the income
Award for Science and Technology	People's Government of Shandong Province	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		100,000.00	Related to the income
Science and technology and patent award	People's Government of Zibo City	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		100,000.00	Related to the income
Industrial design support funds	Finance Bureau of Zichuan District	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		400,000.00	Related to the income
The industry and information industry support funds	Finance Bureau of Zichuan District	Subsidy	Subsidy gained due to confirming with local government attracting investment and local	Yes	No		100,000.00	Related to the income

			supportive policy etc.					
Import discount interest funds	Finance Bureau of Zichuan District, Bureau of Commerce of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		30,000.00	Related to the income
Export credit insurance premiums	Finance Bureau of Zichuan District, Bureau of Commerce of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		287,200.00	Related to the income
Import discount interest funds	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained	Yes	No		70,000.00	Related to the income

			subsidy (obtaining in line with the law and the regulations of national policy)					
Taishan scholar construction funds	Shandong Provincial Party Committee Organization Department	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		300,000.00	Related to the income
Graduate employment apprentice subsidies	Human Resources and Social Security Bureau of Zibo, Finance Bureau of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		360,000.00	Related to the income
Funds for development of center foreign trade and economic cooperation	Finance Bureau of Zichuan District	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		360,446.00	Related to the income

Subsidies for unemployment and stable position	Human Resources and Social Security Bureau of Shandong, Finance Bureau of Shandong, Development and Reform Commission of Shandong, the Letter Committee of Shandong	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		4,214,746.00	Related to the income
Award for Science and Technology	CTEI	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		50,000.00	Related to the income
Subsidies for transferring Xinjiang cotton to warehouses out of Xinjiang	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		1,667,800.00	Related to the income
Exhibit booths subsidies	Commerce Department of Shandong	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		35,500.00	Related to the income
Technicians	Human	Subsidy	Subsidy	Yes	No		50,000.00	Related to the

subsidies	Resources and Social Security Bureau of Zibo, Finance Bureau of Zibo		gained due to confirming with local government attracting investment and local supportive policy etc.					income
Social insurance subsidies and post subsidies	Financial Department of Shandong, Department of Labour and Social Security of Shandong	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		560,028.43	Related to the income
Patent development subsidy	Finance Bureau of Zibo	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		80,000.00	Related to the income
Import credit insurance premiums	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		45,485.00	Related to the income
Funds for development	Finance Bureau of	Subsidy	Due to engaged in	Yes	No		105,600.00	

of foreign trade and economic cooperation	Zibo		special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					Related to the income
Science and technology and patent award	People's Government of Zibo City	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		30,000.00	Related to the income
Special funds for the service industry development	Finance Bureau of Zichuan District, Bureau of Commerce of Zichuan District	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		54,600.00	Related to the income
Special funds for development of center foreign trade and economic cooperation	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the	Yes	No		37,530.00	Related to the income

			regulations of national policy)					
Award for Science and Technology	CTEI Award Office	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		10,000.00	Related to the income
Import discount interest funds	Department of Finance of Shandong	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No		80,000.00	Related to the income
Energy management financial reward	Economic and Information Commission of Shandong	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		2,880,000.00	Related to the income
Fund for the control of air pollution	Zibo Environmental Protection Agency, Zichuan Branch	Subsidy	Due to engaged in special industry that the state encouraged and supported,	Yes	No		1,830,000.00	Related to the income

			gained subsidy (obtaining in line with the law and the regulations of national policy)					
Electricity Finance subsidies	The Letter Committee of the Xinjiang Uygur Autonomous Region, Development and Reform Commission of Autonomous Region, Finance Department of Autonomous Region, Chinese power company in Xinjiang	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		925,204.72	Related to the income
Subsidies for transferring Xinjiang cotton yarn to warehouses out of Xinjiang	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		4,351,400.00	Related to the income
Cotton production subsidies and discounts of	Finance Department of Xinjiang Uygur	Subsidy	Subsidy gained due to confirming with local	Yes	No		4,472,200.00	

Xinjiang Uygur Autonomous Region	Autonomous Region, the Letter Commission of Autonomous Region		government attracting investment and local supportive policy etc.					Related to the income
Social security subsidy	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		3,412,264.53	Related to the income
Subsidies for transferring Xinjiang cotton to warehouses out of Xinjiang	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		4,833,500.00	Related to the income
Social security subsidy	Finance Department of the Xinjiang Uygur Autonomous Region	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		345,790.00	Related to the income
Finance subsidies	The county government office of Pupi Avati	Subsidy	Subsidy gained due to confirming with local government attracting	Yes	No		517,000.00	Related to the income

			investment and local supportive policy etc.					
Financial Discounts	Akesu Prefecture Bureau of Finance, Office of Poverty Alleviation and Development of Akesu Prefecture	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		262,500.00	Related to the income
Financial Discounts	Akesu Prefecture Bureau of Finance, Office of Poverty Alleviation and Development of Akesu Prefecture	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		150,000.00	Related to the income
Labor training subsidy	Human Resources and Social Security Bureau of Akesu Prefecture, Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		162,305.00	Related to the income
Subsidies for growing superior grain cultivators	Finance Department of the Xinjiang Uygur Autonomous	Subsidy	Subsidy gained due to confirming with local government attracting	Yes	No		25,158.10	Related to the income

	Region		investment and local supportive policy etc.					
Deferred revenue amortization			Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	2,468,765.59	2,272,524.55	Related to the assets
Total	--	--	--	--	--	64,121,633.01	43,266,788.43	--

53. Non-operating expenses

Unit: RMB

Item	Reporting Period	Last period	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	9,895,526.12	5,625,603.48	9,895,526.12
Including: Loss on disposal of fixed assets	9,895,526.12	5,625,603.48	9,895,526.12
Donation	1,558,693.43	2,758,673.04	1,558,693.43
Other	4,073,800.31	1,784,290.98	4,073,800.31
Total	15,528,019.86	10,168,567.50	15,528,019.86

54. Income tax expense

(1) Lists of income tax expense

Unit: RMB

Item	Reporting Period	Last period
Current income tax expense	173,187,708.38	159,937,653.51
Deferred income tax expense	-912,305.58	-12,031,663.36
Total	172,275,402.80	147,905,990.15

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

Unit: RMB

Item	Reporting Period
Total profits	1,025,348,852.92
Current income tax expense accounted by tax and relevant regulations	153,802,327.94
Influence of different tax rate suitable to subsidiary	27,934,030.42
Influence of income tax before adjustment	-777,150.65
Influence of non-taxable income	-2,429,503.02
Influence of not deductable costs, expenses and losses	2,301,526.59
Influence of deductable losses of deferred income tax assets derecognized used in previous period	-766,575.46
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	7,777,339.87
Influence of plus deducting costs	-15,566,592.89
Income tax expense	172,275,402.80

55. Other comprehensive income

Refer to the notes VII 41.

56. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities

Unit: RMB

Item	Reporting Period	Last period
Government subsidies	62,996,866.30	72,371,505.78
Claim income	2,439,371.55	2,044,561.45
Penalty income	87,029.48	53,787.00
Recovery of employee borrowings, petty cash and deposit	8,734,686.33	14,889,234.89
Collection for employees	18,969,901.19	419,975.80
Other	8,896,928.14	5,715,940.06
Total	102,124,782.99	95,495,004.98

(2) Other cash paid relevant to operating activities

Unit: RMB

Item	Reporting Period	Last period
Freight and miscellaneous charges	53,789,783.05	52,801,900.32
Rental charges and management expenses of the shops	8,619,547.41	19,063,808.42
Rental charges	23,992,282.87	24,130,924.34
Advertising expense	4,894,117.88	8,107,292.05
Business travel charges	26,286,801.25	10,863,337.81
Insurance	9,153,888.03	9,069,684.52
Copyright royalty	796,432.28	2,893,772.65
Audit advisory announcement fee	5,190,501.86	3,730,447.16
Decoration & repair expenses	6,068,058.70	1,919,818.88
Donation	1,558,693.43	2,758,673.04
Pre-payment	7,752,260.57	1,033,475.80
Other	85,444,042.15	99,108,100.67
Total	233,546,409.48	235,481,235.66

(3) Other cash received relevant to investment activity

Unit: RMB

Item	Reporting Period	Last period
Interest income	6,520,645.21	4,458,340.84
Income from forward foreign exchange		37,908,044.40
Sale of securities	24,602,898.61	7,196,971.33
Income from holding of tradable financial assets during holding period	1,381,926.82	373,901.27
Option cost		1,003,700.00
Total	32,505,470.64	50,940,957.84

(4) Other cash paid relevant to investment activity

Unit: RMB

Item	Reporting Period	Last period
Purchase of securities		117,355,791.90
forward settlement exchange loss	41,519,234.00	

Total	41,519,234.00	117,355,791.90

(5) Other cash received relevant to financing activities

Unit: RMB

Item	Reporting Period	Last period
Return of loan guarantees	29,754,422.42	77,262,230.00
Total	29,754,422.42	77,262,230.00

(6) Other cash paid relevant to financing activities

Unit: RMB

Item	Reporting Period	Last period
Return of the B-share buy-back amount	253,629,544.91	32,244,864.33
The certificates of deposit pledged	8,000,000.00	91,016,652.42
Power bonds payable		220,000.00
Total	261,629,544.91	123,481,516.75

57. Supplementary information to cash flow statement

(1) Information of net profit to net cash flows generated from operating activities

Unit: RMB

Supplementary materials	Reporting Period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	853,073,450.12	735,543,028.77
Add: Provision for impairment of assets	88,833,415.21	27,297,445.74
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	360,285,420.37	355,945,695.90
Amortization of intangible assets	12,302,441.42	12,242,543.28
Long-term unamortized expenses	2,627,785.85	2,036,355.90
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	6,843,361.94	3,501,007.84
Losses on retirement of fixed assets	1,478,331.55	1,165,149.72
Losses from variation of fair value	-63,992,131.36	60,685,931.36
Financial cost (gains: negative)	13,702,551.80	9,610,831.22

Investment loss (gains: negative)	60,779,660.20	-31,540,015.51
Decrease in deferred income tax assets (gains: negative)	-1,060,701.10	-12,159,644.69
Increase in deferred income tax liabilities ("-" means decrease)	148,395.52	127,981.33
Decrease in inventory (gains: negative)	-93,066,329.64	4,872,209.46
Decrease in accounts receivable from operating activities (gains: negative)	30,104,833.69	-103,447,655.41
Increase in payables from operating activities (decrease: negative)	38,704,795.71	-38,285,460.57
Net cash flows generated from operating activities	1,310,765,281.28	1,027,595,404.34
2. Investing and financing activities that do not involving cash receipts and payment:	--	--
3. Net increase in cash and cash equivalents	--	--
Closing balance of cash	654,779,220.82	765,695,473.65
Less: Opening balance of cash	765,695,473.65	649,393,798.30
Net increase in cash and cash equivalents	-110,916,252.83	116,301,675.35

(2) Cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	654,779,220.82	765,695,473.65
Including: Cash on hand	3,216,250.69	2,111,348.02
Bank deposit on demand	651,562,970.13	742,998,281.72
Other monetary funds on demand		20,585,843.91
III. Closing balance of cash and cash equivalents	654,779,220.82	765,695,473.65

58. The assets with the ownership or use right restricted

Unit: RMB

Item	Closing book value	Restricted reason
Monetary capital	8,188,564.67	Short term loan pledged, guarantee deposit
Inventory	12,000,000.00	
Fixed assets	30,265,483.04	

Intangible assets	31,030,064.48	Short-term loan pledged
Total	81,484,112.19	--

59. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Including: USD	33,583,650.02	6.9370	232,969,780.21
EUR	193,087.08	7.3068	1,410,848.80
HKD	53,004,010.61	0.8945	47,412,087.49
JPY	114,165.00	0.0596	6,804.24
THB	120.19	0.194	23.32
SGD	91.90	4.7995	441.07
GBP	850.36	8.5094	7,236.06
AUD	2,821.03	5.0157	14,149.44
CHF	690.09	6.7989	4,691.74
SEK	920.00	0.7624	701.41
MMK	52,936,512.00	0.005082	269,026.16
Dong	43,009,069,142.00	0.000305	13,117,766.09
TWD	30,100.00	0.216	6,501.60
Notes receivable:			
Including: USD	10,364,452.35	6.9370	71,898,206.01
Accounts receivable:			
Including: USD	26,686,287.68	6.9370	185,122,777.73
HKD	16,623,335.00	0.8945	14,869,573.16
Dong	5,385,753,905.00	0.000305	1,642,654.94
Other receivables:			
Including: USD	767,118.30	6.9370	5,321,499.64
EUR	2,800.00	7.3068	20,459.04
Dong	925,545,248.00	0.000305	282,291.30
Other current assets:			
Including: HKD	73,748,568.00	0.8945	65,968,094.08
Accounts payable:			

Including: USD	2,749,045.90	6.9370	19,070,131.40
JPY	146,456,990.00	0.0596	8,728,836.60
EUR	210,203.58	7.3068	1,535,915.52
Swiss Franc	79,852.00	6.7989	542,905.76
Dong	57,001,248,360.74	0.000305	17,385,380.75
Other accounts payable:			
Including: USD	591,886.43	6.9370	4,105,916.14
HKD	28,000.00	0.8945	25,046.00
Dong	509,849,978.00	0.000305	155,504.25
Short-term loans:			
Including: USD	77,000,215.09	6.9370	534,150,492.04
EUR	3,799,990.38	7.3068	27,765,769.71
JPY	22,577,085.00	0.0596	1,345,594.27
Long-term loans:			
Including: USD	9,511,184.18	6.9370	65,979,084.68
EUR	5,542,857.80	7.3068	40,500,553.37
JPY	489,906,155.00	0.0596	29,198,406.84

(2) Note to oversea entities including: for significant oversea entities, shall disclose main operating place, recording currency and selection basis, if there are changes into recording currency, shall also disclose the reason.

√ Applicable □ Not applicable

The operating places of Company's subsidiaries Lu Thai (Hong Kong), Lu Thai (Cambodia), Lu Thai (Burma) Co., Ltd. (hereinafter referred to as "Lu Thai (Burma)") Lu Thai (America) Co., Ltd.(Hereinafter referred to as "Lu Thai (America)") and Lu Thai (Vietnam) Co., Ltd. , Lu An Garments Co., Ltd. were Hong Kong, Cambodia, Burma, America, Vietnam, Vietnam, and the recording currency respectively was HKD, USD, USD, USD , Dong and Dong.

VIII. Changes of merge scope

1. Other reasons for the changes in combination scope

Note to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation) and relevant information:

The Company newly set up subsidiary, Lu An Garments Co., Ltd., writes off subsidiary of Beijing Lufeng Sunshine Garments Co., Ltd.

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Beijing Innovative	Beijing	Beijing	Wholesale and retail industry	60.00%		Set-up
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 Luthai Textile (sub-subsidiary)	Xinjiang	Xinjiang	Manufacturing industry	100.00%		Set-up
Helijie (sub-subsidiary)	Zibo	Zibo	Service	100.00%		Business combination not under the same control
Beijing Youxian	Beijing	Beijing	Wholesale and retail industry	90.00%		Set-up
Lu Thai (Cambodia)	Cambodia	Cambodia	Manufacturing industry	100.00%		Set-up
Lu Thai (Burma)	Burma	Burma	Manufacturing industry	100.00%		Set-up
Lu Thai	America	America	Wholesale and	100.00%		Set-up

(America)			retail industry			
Lu Tha i(Vietnam)	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up
Lu An Garments	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up

(2) Significant not wholly owned subsidiary

Unit: RMB

Name of the subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Xinjiang Luthai	40.08%	24,671,169.03	12,023,566.38	191,570,087.42
Lufeng Weaving & Dyeing	25.00%	34,245,144.24		323,877,715.79

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

Unit: RMB

Name of the subsidiary	Closing balance						Opening 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	528,219,890.20	350,642,671.38	878,862,561.58	402,356,617.55	5,428,018.92	407,784,636.47	441,261,937.21	327,696,846.84	768,958,784.05	323,538,224.44	5,897,447.45	329,435,671.89
Lufeng Weaving & Dyeing	592,276,639.42	843,971,262.60	1,436,247,902.02	111,025,894.92	29,711,143.90	140,737,038.82	497,062,573.74	887,529,106.38	1,384,591,680.12	195,671,138.17	30,390,255.70	226,061,393.87

Unit: RMB

Name of the subsidiary	Reporting Period				Last period			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Luthai	440,825,035.33	61,554,812.95	61,554,812.95	17,047,373.80	569,106,231.16	59,351,295.48	59,351,295.48	159,852,668.02
Lufeng Weaving & Dyeing	1,607,276,257.49	136,980,576.95	136,980,576.95	104,830,712.63	1,450,422,625.91	53,241,582.83	53,241,582.83	24,216,809.32

X. The risk related 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 VI”. 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.

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 31 Dec. 2016, 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	Closing amount	Opening amount
Cash and cash equivalents	295,220,057.63	359,365,961.61
Notes receivable	71,898,206.01	101,533,594.19
Account receivable	201,635,005.83	198,486,967.97
Other accounts receivable	5,624,249.98	21,499,240.95
Other current assets	65,968,094.08	
Accounts payable	47,263,170.03	20,029,203.14
Other accounts payable	4,286,466.39	3,773,841.47
Short-term borrowings	563,261,856.02	572,766,318.90

Long-term borrowings	135,678,044.89	

Sensitive analysis of foreign exchange risk:

Base on the foreign currency monetary assets and liabilities, and ignoring other factors, influence of change of exchange rate to current profits and losses and equity of shareholders was followed:

Change	Reporting Period		Last period	
	Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Up 10% against RMB	14,763,070.22	14,763,070.22	-6,138,055.73	-6,138,055.73
Down 10% against RMB	-14,763,070.22	-14,763,070.22	6,138,055.73	6,138,055.73

(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, see Section VII 24, 34).

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	Reporting Period		Last period	
	Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Increase 100 BP	-7,634,051.31	-6,516,890.66	-7,394,269.19	-6,682,600.60
Decrease 100 BP	7,634,051.31	6,516,890.66	7,394,269.19	6,682,600.60

2 Credit risk

On 31 Dec. 2016, 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 RMB 663 million. In recent two years, the average of net cash flow of operation activities was RMB 1.169 billion. The

Company believed that the liquidity risk was insignificant.

XI. Related party and related Transaction

1. Information related to parent company of the Company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Zibo Lucheng Textile Investment Co., Ltd.	Zibo	Textile, electrical power and investment	63,260,000	14.69%	14.69%

Notes: Information on the parent company:

The finial control of the Company was Mr. Liu Zibin and Mr. Liu Deming.

Notes:

2. Subsidiaries of the Company

See details to Notes IX. 1. Equity in subsidiary.

3. Information on other related parties of the Company

Name	Relationship
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called “Stanluian”)	Affiliated person (the same chairman of the Board with the Company)
Zibo Taimei Ties Co., Ltd. (hereinafter called Taimei Ties)	Controlled subsidiary of the parent company
Zibo Limin Purified Water Co., Ltd. (hereinafter called Limin Purified Water)	Wholly-owned subsidiary of the parent company
Zibo Luqun Land Co., Ltd (hereinafter called Luqun Land)	Wholly-owned subsidiary of the parent company
Chengshun Heating	Controlled subsidiary of the parent company
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as Lurui Chemical)	Controlled subsidiary of the parent company
Zibo Lujia Property Management Co. , Ltd. (hereinafter referred to as Lujia Property)	Wholly-owned subsidiary of the parent company
Shandong Chengshun Petrochemical Co., Ltd. (hereinafter referred to as Chengshun Petrochemical)	Wholly-owned subsidiary of the parent company

4. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Unit: RMB

Related-party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Last period
Zibo Lucheng Textile Investment Co., Ltd.	Towel, sock, oil product, supermarket retail, welfare, electronic products, computer equipment, computer supplies, paper core, hose processing fees, etc.	12,157,996.07	14,250,000.00	No	10,664,706.25
Stanluian Company	Gift box for cosmetic, lotion, washing-up liquid, Liquid soap, etc.				166,565.07
Taimei Ties	Goods processing fee	922,555.61	1,080,000.00	No	989,608.31
Limin Purified Water	Sewage treatment, materials	19,438,805.23	21,500,000.00	No	9,152,198.70
Chengshun Petrochemical	Gas	742,901.39			
Lurui Fine Chemical	Auxiliaries	81,933,412.13	100,000,000.00	No	71,967,937.29

Information of sales of goods and provision of labor service

Unit: RMB

Related-party	Content	Reporting Period	Last period
Lucheng Textile	Sales of materials, clothing materials	1,163,940.37	902,131.95
Taimei Ties	Sales of electricity, heating charges	20,180.03	19,820.34
Stanluian Company	Sales of materials, electricity, running water, heating charges, and LED lamp	36,152.79	35,778.98

Limin Purified Water	Sales of materials, garment, and LED lamp	4,913.20	29,816.47
Lurui Fine Chemical	Sales of garments, equipment, LED lamp, fabric, auxiliaries and lunch components	579,514.02	967,389.83
Chengshun Heating	Sales of materials, power, hot water, running water, Low temperature hot water, pipe flushing fee and garment	6,513,331.59	5,129,186.09
Lujia Property	Sales of materials and recycled water	43,831.55	92,734.28

(2) Information of related lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Zibo Lucheng Textile Investment Co., Ltd.	Houses and buildings	292,836.83	390,400.00
Chengshun Heating	Houses and buildings	4,091.82	

The Company was lessee:

Unit: RMB

lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets
Zibo Lucheng Textile Investment Co., Ltd.	Rent of gas station	4,185,180.96	4,522,400.00
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land and buildings	12,404,419.08	12,614,400.00
Luqun Property	Rent of land and buildings	4,017,523.76	1,802,400.00

(3) Rewards for the key management personnel

Unit: RMB

Item	Reporting Period	Last period
Rewards for the key management personnel	24,486,346.18	22,455,700.00

5. Receivables and payables of related parties

(1) Payables

Unit: RMB

Name of item	Related-party	Closing book balance	Opening book balance
Accounts payable			
	Zibo Lucheng Textile Investment Co., Ltd		131,696.00
	Taimei Ties	790,533.58	

XII. Commitments and contingency

1. Significant commitments

Significant commitments at balance sheet date

Capital commitments

Item	Closing balance (RMB Ten thousand Yuan)	Opening balance (RMB Ten thousand Yuan)
Commitments signed but hasn't been recognized in financial statements		
-- Commitment for constructing and purchasing long-term assets	20,581.71	5,524.91
Total	20,581.71	5,524.91

2. Contingency

(1) Significant contingency at balance sheet date

As of 31 Dec. 2016, there was no significant contingency to be disclosed.

(2) The Company have no significant contingency to disclose, also should be stated

There was no significant contingency in the Company.

3. Other

XIII. Events after balance sheet date

1. Profit distribution

Unit: RMB

Profits or dividends planned for distribution	461,301,155.50
Profits or dividends declared for distribution upon review and approval	461,301,155.50

IX. Notes of main items in the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable classified by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	102,459,665.95	24.68%	102,459,665.95	100.00%	0.00	120,361,083.64	37.90%	72,592,947.77	60.31%	47,768,135.87
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	312,659,373.66	75.32%	15,633,263.33	5.00%	297,026,110.33	197,230,287.58	62.10%	9,869,969.51	5.00%	187,360,318.07
Total	415,119,039.61	100.00%	118,092,929.28	28.45%	297,026,110.33	317,591,371.22	100.00%	82,462,917.28	25.97%	235,128,453.94

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

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable (entity)	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Beijing Innovative	102,459,665.95	102,459,665.95	100.00%	Due to the losses of the Company's subsidiary Beijing Innovative, the amount of net asset was negative.
Total	102,459,665.95	102,459,665.95	--	--

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

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	312,653,480.66	15,632,674.03	5.00%
Subtotal of within 1 year	312,653,480.66	15,632,674.03	5.00%
1 to 2 years	5,893.00	589.30	10.00%
Total	312,659,373.66	15,633,263.33	5.00%

Notes:

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

□ Applicable √ Not applicable

In the 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 RMB 35,630,012.00; the amount of the reversed or collected part during the Reporting Period was of RMB 0.00.

(3) Top five of account receivable of closing balance collected by arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 223,769,751.98, 53.90% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB 108,525,170.25.

2. Other accounts receivable

(1) Other account receivable classified by category

Unit: RMB

Category	Closing balance	Opening balance

	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book 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 at the period-end	317,675,160.04	92.64%			317,675,160.04					
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	25,228,972.17	7.36%	2,445,924.01	9.69%	22,783,048.16	36,565,379.68	100.00%	3,024,839.14	8.27%	33,540,540.54
Total	342,904,132.21	100.00%	2,445,924.01	0.71%	340,458,208.20	36,565,379.68	100.00%	3,024,839.14	8.27%	33,540,540.54

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

√ Applicable □ Not applicable

Unit: RMB

Other accounts receivable(refer to unit)	Closing balance			
	Other accounts receivable	Bad debt provision	Ratio %	Reason
Lu Thai (Vietnam)	247,916,427.83			no impairment of the individual test
Lu An Garments	69,758,732.21			no impairment of the individual test
Total	317,675,160.04		--	--

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

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	19,988,903.59	999,445.17	5.00%
Subtotal of within 1 year	19,988,903.59	999,445.17	5.00%
1 to 2 years	527,026.97	52,702.70	10.00%

2 to 3 years	201,363.50	40,272.70	20.00%
Over 3 years	4,511,678.11	1,353,503.44	30.00%
Total	25,228,972.17	2,445,924.01	9.69%

Notes:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, other accounts receivable 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 -577,175.13; the amount of the reversed or collected part during the Reporting Period was of RMB000.

(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

Unit: RMB

Item	Amount
Other accounts receivable during the Reporting Period	4,175,136.88

(4) Other account receivable classified by account nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Intercourse funds	317,675,160.04	4,175,136.88
Export rebates	7,802,287.09	16,073,852.13
Payment on behalf	13,285,751.37	11,217,554.27
The deposit and guarantee	442,488.00	2,427,649.51
Borrowings and deposit	1,013,029.29	757,574.35
Other	2,685,416.42	1,913,612.54
Total	342,904,132.21	36,565,379.68

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Lu Thai (Cambodia)	Intercourse funds	247,916,427.83	Within 1 year	72.30%	

Lu An Garments	Intercourse funds	69,758,732.21	Within 1 year	20.34%	
Refund of tax for export receivable	Export rebates	7,802,287.09	Within 1 year	2.28%	390,114.35
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	6,766,009.07	Within 1 year	1.97%	338,300.45
Pre-paid heating charges	Pre-paid	2,122,894.75	Within 1 year	0.62%	106,144.74
Total	--	334,366,350.95	--	97.51%	834,559.54

3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to the subsidiary	1,736,221,866.04	25,200,000.00	1,711,021,866.04	1,613,379,740.04	35,675,000.00	1,577,704,740.04
Total	1,736,221,866.04	25,200,000.00	1,711,021,866.04	1,613,379,740.04	35,675,000.00	1,577,704,740.04

(1) Investment to the subsidiary

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Beijing Innovative	25,200,000.00			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		
Lufeng Sunshine	15,000,000.00		15,000,000.00			

Shanghai Luthai	20,000,000.00			20,000,000.00		
Lu Thai (Cambodia)	108,223,964.38	18,371.00		108,242,335.38		
Lu Thai (America)	6,774,300.00			6,774,300.00		
Lu Thai(Burma)	62,327,753.57	9,485.00		62,337,238.57		
Beijing Youxian	9,000,000.00			9,000,000.00		
Lu Thai (Vietnam)	213,033,600.00	105,001,210.00		318,034,810.00		
Lu An Garments		32,813,060.00		32,813,060.00		
Total	1,613,379,740.04	137,842,126.00	15,000,000.00	1,736,221,866.04		25,200,000.00

4. Revenues and operating costs

Unit: RMB

Item	Reporting Period		Last period	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	4,807,878,511.56	3,378,032,986.90	4,760,669,805.94	3,504,388,812.66
Other operations	270,969,055.54	226,114,678.98	183,360,368.55	144,071,749.25
Total	5,078,847,567.10	3,604,147,665.88	4,944,030,174.49	3,648,460,561.91

5. Investment income

Unit: RMB

Item	Reporting Period	Last period
Long-term equity investment income accounted by cost method	55,179,470.68	217,976,429.21
Investment income from disposal of long-term equity investment	-199,507.76	
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses during holding period	-33,807,314.00	33,986,744.40
Total	21,172,648.92	251,963,173.61

XV. Supplementary materials

1. Items and amounts of extraordinary gains and losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains/losses on the disposal of non-current	-8,321,693.49	

assets		
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	64,121,633.01	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	3,212,471.16	
Other non-operating income and expenses other than the above	3,926,191.60	
Less: Income tax effects	3,065,724.25	
Minority interests effects	13,897,676.16	
Total	45,975,201.87	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary 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 (ROE) and earnings per share (EPS)

Profit as of Reporting Period	Weighted average ROE (%)	EPS（Yuan/share）	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	11.71%	0.85	0.85
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	11.04%	0.80	0.80

3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

√ Applicable □ Not applicable

Unit: RMB

	Net profit	Net asset

	Reporting Period	Last period	Closing balance	Opening balance
According to Chinese accounting standards	805,446,326.99	712,193,243.19	6,937,985,729.19	6,837,113,075.58
Items and amounts adjusted according to international accounting standards				
Impact on domestic equipment tax credit recognized as deferred income under international accounting standards	725,000.00	1,015,000.00	-329,000.00	-1,054,000.00
According to international accounting standards	806,171,326.99	713,208,243.19	6,937,656,729.19	6,836,059,075.58

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

□ Applicable √ Not applicable

(3) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

Effects of domestic equipment exempted from income tax

The Company exempted from income tax for buying domestic equipment. According to Chinese accounting standards, the income tax expenses are directly reduced which are recognized as deferred income related to assets by the international accounting standards. According to the regulations of the international accounting standards, this difference is amortized over the fixed using periods of year of the fixed assets and adjusting net income and net assets.

Section XII. Documents Available for Reference

1. Accounting statement signed by legal representative, responsible person in charge of accounting work and responsible person of accounting department;

2. The original of Auditors' Report carried with the seal of the accounting firm, as well as the personal signatures of certified public accountants.

3. The originals of all documents and manuscripts of Public Notices of the Company disclosed publicly on Securities Times, Shanghai Securities News, China Securities Daily and Ta Kung Pao.

Board Chairman: Liu Zibin

Lu Thai Textile Co., Ltd.

March 30, 2017