Stock code: 000726, 200726 Stock name: Lu Thai A, Lu Thai B Announcement No.: 2017-018

Lu Thai Textile Co., Ltd.

Abstract of the Report for the First Quarter of 2017

Section I Important Statements

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Lu Thai Textile Co., Ltd. (hereinafter referred to as “the Company”) warrant that the information carried in this report is factual, accurate and complete, without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors have attended the board session for reviewing this report.

Liu Zibin, company principal, Zhang Hongmei, chief of the accounting work, and Zhang Keming, chief of the accounting organ (chief of accounting), hereby confirm that the financial statements enclosed in this report are factual, accurate and complete.

Section II Company Profile

I Financial results

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

	January-March 2017	January-March 2016	+/-%
Operating revenues (RMB)	1,273,058,505.40	1,282,806,624.05	-0.76%
Net profit attributable to shareholders of the Company (RMB)	157,994,708.53	150,268,522.21	5.14%
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	155,049,414.60	137,542,633.98	12.73%
Net operating cash flow (RMB)	-73,576,928.32	183,258,282.60	-140.15%
Basic earnings per share (RMB/share)	0.17	0.16	6.25%
Diluted earnings per share (RMB/share)	0.17	0.16	6.25%
Weighted average return on equity	2.25%	2.15%	0.10%
	31 March 2017	31 December 2016	+/-%
Total assets (RMB)	9,599,617,156.96	9,407,103,263.34	2.05%
Net assets attributable to shareholders of the Company (RMB)	7,092,096,902.20	6,937,985,729.19	2.22%

Exceptional profit and loss

√ Applicable □ Not applicable

Unit: RMB

Item	January-March 2017	Note
Profit/loss on disposal of non-current assets (including offset amount of asset impairment provisions)	-1,173,169.92	
Government grants charged to the profit/loss for the 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)	6,131,296.64	
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales, except for effective hedging related with normal businesses of the Company	598,500.00	

Non-operating incomes and expenses other than the above	-1,971,535.35	
Less: Income tax effects	541,344.60	
Minority interests effects (after tax)	98,452.84	
Total	2,945,293.93	--

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 the Reporting Period.

II Total number of shareholders at the period-end and shareholdings of top ten shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	62,320	Total number of preference shareholders with resumed voting rights at the period-end (if any)	0

Shareholdings of top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status of shares	Number of shares
ZIBO LUCHENG TEXTILE INVESTMENT CO., LTD.	Domestic non-state-owned corporation	15.21%	140,353,583			
TAILUN TEXTILE CO., LTD.	Foreign corporation	12.82%	118,232,400	118,232,400		
CENTRAL HUIJIN ASSETS MANAGEMENT CO., LTD.	State-owned corporation	2.20%	20,315,300			
T.ROWE PRICE INTL DISCOVERY FUND	Foreign corporation	2.16%	19,948,219			
CHINA SECURITIES FINANCE CORPORATION LIMITED	State-owned corporation	1.70%	15,679,091			
LYNAS ASIA FUND	Foreign corporation	1.35%	12,440,000			
HONG KONG SECURITIES CLEARING COMPANY LTD.	Foreign corporation	1.18%	10,864,371			
HUA AN NEW SILK ROAD THEME EQUITY SECURITIES INVESTMENT	Domestic non-state-owned	1.11%	10,205,505			

FUND	corporation					
BNP PARIBAS	Foreign corporation	0.88%	8,131,797			
FIRST STATE CHINA A SHARE FUND	Foreign corporation	0.80%	7,352,381			

Shareholdings of top ten non-restricted shareholders			
Name of shareholder	Number of non-restricted shares held	Variety of shares	
		Variety	Number
ZIBO LUCHENG TEXTILE INVESTMENT CO., LTD.	140,353,583	RMB common shares	
CENTRAL HUIJIN ASSETS MANAGEMENT CO., LTD.	20,315,300	RMB common shares	
T.ROWE PRICE INTL DISCOVERY FUND	19,948,219	Domestically listed foreign shares	
CHINA SECURITIES FINANCE CORPORATION LIMITED	15,679,091	RMB common shares	
LYNAS ASIA FUND	12,440,000	Domestically listed foreign shares	
HONG KONG SECURITIES CLEARING COMPANY LTD.	10,864,371	RMB common shares	
HUA AN NEW SILK ROAD THEME EQUITY SECURITIES INVESTMENT FUND	10,205,505	RMB common shares	
BNP PARIBAS	8,131,797	RMB common shares	
FIRST STATE CHINA A SHARE FUND	7,352,381	RMB common shares	
HTHK-MANULIFE CHINA VALUE FUND	6,858,138	Domestically listed foreign shares	
Related or acting-in-concert parties 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.		

Top ten common shareholders conducting securities margin trading (if any)	N/A

Did any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conduct any promissory repo during the Reporting Period?

□ Yea √ No

No such cases in the Reporting Period.

2. Total number of preference shareholders and shareholdings of the top ten of them

□ Applicable √ Not applicable

Section III Significant Events

I Changes in major financial data and indicators for the Reporting Period, as well as reasons for such changes

√ Applicable □ Not applicable

Assets items:

(1) Other accounts receivable stood at RMB 31,955,559.44 on March 31, 2017, down by 30.93% from the opening amount, mainly because export rebates that should be received at beginning period were received in current period.

(2) Other current assets stood at RMB 57,017,887.67 on March 31, 2017, down by 46.98% from the opening amount, mainly because the sold stock was transferred out from the securities account in the current period.

(3) Engineering materials stood at RMB 199,826,672.33 on March 31, 2017, up by 70.62% from the opening amount, mainly because Lu Thai (Vietnam) equipment to be installed increased.

(4) Other non-current assets stood at RMB 17,484,641.71 on March 31, 2017, down by 44.07% from the opening amount, mainly because the advance payment for land of Xin Jiang Lu Thai was transferred into intangible assets.

Liabilities and owners' equity items:

(5) Notes payable stood at RMB 6,423,218.00 on March 31, 2017, up by 100.00% from the opening amount, mainly because commercial acceptance bills payable in the current period increased.

(6) Payroll payable stood at RMB 199,084,558.19 on March 31, 2017, down by 36.92% from the opening amount, mainly because the year-end bonuses for employees for 2016 were paid in the current period.

Income statement items

(7) Taxes and surtaxes stood at RMB 22,303,687.92 for January-March 2017, up by 80.13% from the year earlier, mainly because the taxes items initially recorded in administration expense was recorded in this title in the current period according to VAT Accounting Rules CK[2016] No. 22.

(8) Financial expense stood at RMB 12,204,861.91 for January-March 2017, up by 230.27% from the year earlier, mainly because net exchange loss increased.

(9) Asset impairment loss stood at RMB -3,651,249.64 for January-March 2017, down by 319.63% from the same period of last year, mainly because closing accounts receivable decreased resulting to the decrease of provision for Asset impairment loss.

(10) Profit on fair value changes stood at RMB 0.00 for January-March 2017, down by 100.00% from the same period of last year, mainly because there was no fair value changes closing financial liabilities at the period-end..

(11) Investment profit stood at RMB 598,500.00 for January-March 2017, up by 103.51% from the year earlier, mainly because profit on investment in financial derivative instruments increased.

(12) Non-operating expenses stood at RMB 4,374,164.43 for January-March 2017, up by 382.06% from the year earlier, mainly because of the payment for endowments for the Light of Textile Science and Technology Education Funds in the current period..

Cash flow statement items:

(13) Net cash flow from operation activities stood at RMB -73,576,928.32 for January-March 2017, down by 140.15% from the year earlier, mainly due to the increase of raw cotton procurement, which increased the cash payment for products and services.
(14) Net cash flow from investing activities stood at RMB-108,083,010.35 for January-March 2017, up by 35.84% from the year earlier, mainly because the sold stock was received in the current period.
(15) Net cash flow from financing activities stood at RMB 170,780,237.10 for January-March 2017, up by 807.87% from the year earlier, mainly because the cash payment for repaying debt decreased in the current period.

II Progress of significant events and analysis & explanations on their influence and solutions

□Applicable√ Not applicable

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

□Applicable√ Not applicable

No such cases in the Reporting Period.

IV Operating result forecast for January-June 2017

Forecast of a possible deficit or considerable YoY change in the accumulative net profit made during the period from the beginning of the year to the end of the next reporting period, as well as explanation of why:

□ Applicable √ Not applicable

V Securities investments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VI Investment in financial derivatives

√ Applicable □ Not applicable

Unit: RMB’0,000

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	Actual gain/loss in reporting period

												Company's closing net assets (%)	
Commercial bank	Non-related	No	Forward exchange settlement	0	01/19/2017	03/28/2017	0	17,967.43	17,967.43		0	0.00%	58.95
Commercial bank	Non-related	No	Option portfolio	0	01/03/2017	04/07/2017	0	2,769	696		2,073	0.27%	0.9
Total							0	20,736.43	18,663.43		2,073	0.27%	59.85

Capital source for derivative investment	Own funds
Lawsuit (if applicable)	No lawsuits
Disclosure date of board announcement on approval of derivative investment (if any)	05/19/2016
Disclosure date of general meeting announcement on approval of derivative investment (if any)	
Risk analysis and risk control measures for derivative products held in reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)	The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as 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 2016 approved at the 33th Session of the 7th Board of Directors on 17 May, 2016, 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 March 2017, the Company held 1 undue financial derivative product contract, totaling USD3 million, which will be due in April 2017. The financial derivative products above accounted for 0.27% of the closing net assets. 2. From January- March 2017, the due financial derivative products of the Company totally equaled to USD27 million, and the revenue generated was RMB598.5 thousand. To be specific, the due forward settlement was USD26 million, generating profit of RMB589.5 thousand; the due foreign exchange options equaled to USD1 million, generating profit of RMB9 thousand,
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.

VII Visits paid to the Company in the Reporting Period for purposes of research, communication, interview, etc.

√ Applicable □ Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
02/23/2017	Field research	Institution	See details from "Record of Investor Relations Events and Daily Investor Relations Events of 02/23/2017" on www.cninfo.com.cn
03/30/2017	Telephone communication	Institution	See details from "Record of Investor Relations Events and Daily Investor Relations Events of 03/30/2017" on www.cninfo.com.cn

VIII Illegal provision of guarantees for external parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

IX Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Board Chairman: Liu Zibin

Lu Thai Textile Co., Ltd.

28 April 2017