LU THAI TEXTILE CO., LTD.

SEMI-ANNUAL REPORT 2017

August 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 senior management 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
Bi Xiuli	Independent Director	For reason of work	Xu Jianjun

The Company has described in detail in this Report the possible risks. Please refer to the contents under “Risks Facing the Company and Countermeasures” under “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 Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

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

Table of Contents

Definitions

Term		Definition
Issuer, Company		Lu Thai Textile Co., Ltd.
Board, Board of Directors		The Board of Directors of Lu Thai Textile Co., Ltd.
Supervisory Board		The Supervisory Board of Lu Thai Textile Co., Ltd.
CSRC		The China Securities Regulatory Commission
RMB, RMB’0,000		RMB yuan, RMB ten thousand yuan
Company Law		The Company Law of the People‘s Republic of China
Securities Law		The Securities Law of the People‘s Republic of China
Reporting Period		January 1, 2017-June 30, 2017

Section II Corporate Profile and Key Operating 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. (if any)	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	LTTC		
Legal representative	Liu Zibin		

II Contact Information

	Board Secretary	Securities Representative
Name	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
Fax	0533-5418805	0533-5418805
E-mail	qinguiling@lttc.com.cn	wyzheng@lttc.com.cn, likun@lttc.com.cn

III Other Information

1. Ways to Contact the Company

Indicate by tick mark whether any changes occur to the registered address, office address and their postal codes, website address and email address of the Company during the Reporting Period.

□ Applicable √ Not applicable

No changes occurred to the said information during the Reporting Period, which can be found in the 2016 Annual Report.

2. Information Disclosure Media and Place where this Report is Kept

Indicate by tick mark whether any changes occurred to the information disclosure media and the place where this Report was kept during the Reporting Period.

□ Applicable √ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the location where this Report was placed did not change during the Reporting Period. The said information can be found in the 2016 Annual Report.

IV Key Consolidated Operating Results

Indicate by tick mark whether the Company needs to retroactively restate any of its accounting data.

□ Yes √ No

	Reporting Period	Same period of last year	+/- (%)
Operating revenue (RMB)	2,990,459,696.43	2,831,326,773.03	5.62%
Net profit attributable to shareholders of the Company (RMB)	393,069,981.55	344,641,184.73	14.05%
Net profit attributable to shareholders of the Company before exceptional gains and losses (RMB)	385,081,158.45	333,236,862.51	15.56%
Net cash from operating activities (RMB)	342,919,758.30	563,407,347.43	-39.13%
Basic earnings per share (RMB/share)	0.43	0.37	16.22%
Diluted earnings per share (RMB/share)	0.43	0.37	16.22%
Weighted average return on equity (%)	5.58%	5.10%	0.48%
	End of Reporting Period	End of last year	+/- (%)
Total assets (RMB)	9,550,163,874.63	9,407,103,263.34	1.52%
Net assets attributable to shareholders of the Company (RMB)	6,855,012,927.33	6,937,985,729.19	-1.20%

V Differences in Accounting Data under Chinese and Foreign Accounting Standards

1. Differences in Net Profit and Net Assets Disclosed in 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	
	Reporting Period	Same period of last year	Closing amount	Opening amount
According to Chinese accounting standards	393,069,981.55	344,641,184.73	6,855,012,927.33	6,937,985,729.19
Items and amounts adjusted according to international accounting standards				

Impact on domestic equipments tax credit recognized as deferred income under international accounting standards	164,500.00	362,500.00	-164,500.00	-329,000.00
According to international accounting standards	393,234,481.55	345,003,684.73	6,854,848,427.33	6,937,656,729.19

2. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and Foreign Accounting Standards

□ Applicable √ Not applicable

No such differences for the Reporting Period.

3. Reasons for Accounting Data Differences under Chinese 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.

VI Exceptional Gains/Losses

√ Applicable □ Not applicable

Unit: RMB

Item	Reporting Period	Note
Gains/losses on disposal of non-current assets (including offset asset impairment provisions)	-1,972,237.14	
Governmental subsidies charged to gains/losses for Reporting Period (except for government grants closely related to the Company's normal business operations and constantly given at fixed quotas or amounts as per government's uniform standards)	10,710,637.29	
Gains/losses on fair value changes of financial assets and liabilities held for trading & investment income from disposal of financial assets and liabilities held for trading as well as financial assets available for sale, except for effective hedges related to normal business operations of the Company	2,496,235.34	
Non-operating income and expense other than above	367,172.52	
Less: Income tax effects	1,643,262.69	
Minority interests effects (after tax)	1,969,722.22	
Total	7,988,823.10	--

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Section III Business Profile

I Main Business Scope for Reporting Period

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

No.

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

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 has 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 Main Assets

1. Significant Changes in Main Assets

Main assets	Reason for significant change in Reporting Period
Intangible assets	RMB480,808,661.11 as of end of June 2017, up 25.13% compared to opening amount, mainly resulted by land use right obtained by Xinjiang Lu Thai Good Yield Cotton Co., Ltd. in Reporting Period
Construction in progress	RMB265,987,434.60 as of end of June 2017, up 71.97% compared to opening amount, mainly resulted by ongoing expansion project of Xinsheng Thermal Power and 100,000-ingot textile production line project of Xinjiang Lu Thai

2. Main Assets Overseas

√ Applicable □ Not applicable

Asset	Formation	Asset size	Location	Operating model	Control measures to ensure asset safety	Earnings	In the Company's net assets (%)	Major impairment risk
Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	153,914,096.74	Hong Kong	Marketing	Main management personnel sent by the Company	2,502,238.10	2.10%	No
Lu Thai (America) Textile Co., Ltd.	Incorporated	8,395,776.90	New York	Marketing	Main management personnel sent by the Company	-448,975.67	0.11%	No
Lu Thai (Cambodia) Textile Co., Ltd.	Incorporated	157,845,437.42	Svay Rieng	OEM	Main management personnel sent by the Company	406,034.36	2.15%	No
Lu Thai (Burma) Textile Co., Ltd.	Incorporated	83,812,290.82	Rangoon	OEM	Main management personnel sent by the Company	-1,434,234.30	1.14%	No
Lu Thai (Vietnam) Textile Co., Ltd.	Incorporated	891,304,423.58	Tay Ninh	OEM	Main management personnel sent by the Company	-23,827,131.34	12.15%	No
Lu An Garments Co., Ltd.	Incorporated	132,327,346.21	Anjiang, Vietnam	OEM	Main management personnel sent by the Company	-7,932,509.72	1.80%	No

III Core Competitiveness Analysis

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

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 Performance Discussion and Analysis

I Summary

For the Reporting Period, the Company achieved, on a consolidated basis, operating revenue of RMB2.99 billion, an operating profit of RMB490 million, a net profit attributable to the shareholders of the Company (as the parent company) of RMB393 million and a net profit of RMB385 million before exceptional gains and losses, up 5.62%, 17.03%, 14.05% and 15.56% respectively from the same period of last year. No changes have occurred to the main business, the main profit sources and structure of the Company in this period.

During the Reporting Period, the Company continued in promoting international production capacity layout, steadily promoted activities of "improve quality and enhance efficiency" and "market service deepening year", and maintained the healthy, stable and sustainable development trend of the Company. During the Reporting Period, the Company's overseas projects run smoothly and basically achieved plan expectations. During the Reporting Period, the Company actively optimized product structure, focused on development of new products and customized products, and promoted new products based on different market characteristics. In particular, we conducted customized R & D services for more than 40 products to meet customer needs and market trend. In the report period, the Company was appraised as "National Yarn-Dyed Fabric Trend Research Center" by China Textile Information Center (CTIC) and China Textiles Development Center (CTDC), and appraised as "Top Twenty Enterprises of China's Dyeing and Printing Industry" by China Dyeing and Printing Association.

During the Reporting Period, the Company and its subsidiaries strictly implemented the "Three Simultaneous" management system for environmental protection project of construction projects. Supported with perfect waste gas and water treatment facilities, the management system maintained good synchronous operation with main production facilities. In April 2017, the Company was appraised as “Industry Leader in the Fourth Sessions of Low Carbon Shandong” by nine units such as Shandong Economic and Information Technology Committee etc.

The Company's subsidiary Beijing Lu Thai Youxian E-Commerce Co., Ltd. provides high-quality tailor-made services to consumers, and constantly broadens customer range to extend the Company's clothing brand promotions.

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 Analysis of Main Business

Summary:

For the Reporting Period, operating revenues, operating costs and finance costs increased 5.62%, 5.81% and 54.94% respectively on a year-on-year basis; and selling expenses, administrative expenses and the corporate income tax went down 22.93%, 8.57% and 12.14% respectively from a year earlier. Finance costs increased 54.94% mainly due to the increased interest cost. Selling expenses decreased 22.93% mainly because of the decreased shopping mall cost. Net cash from operating activities went down 39.13% mainly due to the increase in the cash paid for cotton. Net cash from investing activities climbed 54.46% mainly because of the decrease in the cash paid by Lu Thai Vietnam to acquire fixed assets. Net cash from financing activities were up 40.35% mainly because B-share repurchase decreased 100%. And net increase in cash and cash equivalents went up 71.32% mainly owing to the 54.46% increase in the net cash from investing activities.

Year-on-year changes of key consolidated financial data:

Unit: RMB

	Reporting Period	Same period of last year	+/-%	Main reason for change
Operating revenue	2,990,459,696.43	2,831,326,773.03	5.62%	
Operating costs	2,049,939,214.63	1,937,399,591.08	5.81%	
Selling expense	68,365,512.22	88,709,663.50	-22.93%	
Administrative expense	312,470,311.94	341,771,955.16	-8.57%	
Finance costs	30,695,300.54	19,810,742.68	54.94%	Increased interest cost
Income taxes	78,649,409.64	89,518,494.52	-12.14%	
R&D expense	158,802,502.01	161,055,249.75	-1.40%	
Net cash from operating activities	342,919,758.30	563,407,347.43	-39.13%	Increase in cash paid for cotton
Net cash from investing activities	-216,949,013.37	-476,416,586.86	54.46%	Decrease in cash paid by Lu Thai Vietnam to acquire fixed assets
Net cash from financing activities	-165,683,765.09	-277,760,450.21	40.35%	B-share repurchase decreased 100%
Net increase in cash and cash equivalents	-53,780,039.58	-187,529,531.30	71.32%	

Major changes to the profit structure or sources of the Company in the Reporting Period:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Breakdown of main business:

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Textile and Apparel	2,763,490,806.33	1,854,462,799.59	32.89%	3.68%	2.15%	1.00%
Cotton	33,168,770.44	30,395,114.73	8.36%	1,176.61%	998.40%	14.86%
Electricity and steam	60,879,574.69	67,726,961.79	-11.25%	-9.07%	29.07%	-32.87%
Others	19,815,324.44	15,096,832.52	23.81%	19.50%	14.13%	3.59%
By product						

Fabric products	2,142,582,009.63	1,423,793,915.67	33.55%	2.54%	0.79%	1.16%
Shirts	620,908,796.70	430,668,883.92	30.64%	7.82%	6.93%	0.58%
Cotton	33,168,770.44	30,395,114.73	8.36%	1,176.61%	998.40%	14.86%
Electricity and steam	60,879,574.69	67,726,961.79	-11.25%	-9.07%	29.07%	-32.87%
Others	19,815,324.44	15,096,832.52	23.81%	19.50%	14.13%	3.59%
By geographic segment						
Hong Kong	201,561,597.38	134,341,862.49	33.35%	8.14%	6.43%	1.07%
Japan And South Korea	226,731,715.80	153,925,489.60	32.11%	12.77%	11.46%	0.80%
Southeast Asia	606,652,356.60	403,472,128.01	33.49%	-9.64%	-11.13%	1.12%
Europe and America	584,286,631.25	398,187,026.74	31.85%	32.51%	30.81%	0.88%
Others	339,548,028.33	227,028,606.59	33.14%	-15.75%	-16.89%	0.92%
Mainland China	918,574,146.54	650,726,595.20	29.16%	8.24%	10.69%	-1.57%

III Non-Core Business Analysis

√ Applicable □ Not applicable

Unit: RMB

	Amount	In total profits (%)	Source/reason	Continuity
Investment gains	1,825,335.34	0.37%	Gains on delivery of financial assets such as forward exchange settlement	No
Gains/losses on fair value changes	1,110,700.00	0.23%	Losses on fair value changes of financial assets	No
Asset impairment	985,974.64	0.20%	Inventory falling price provision, bad-debt provision	No
Non-business revenue	4,444,757.98	0.91%	Claim and governmental subsidies	No
Non-business expense	5,919,822.60	1.21%	Losses on disposal of non-current assets	No

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB

	End of Reporting Period	End of same period of last year	Amount	As a percentage

	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		of total assets (%)
Monetary funds	601,260,394.17	6.30%	578,366,000.68	6.41%	-0.11%	
Accounts receivable	284,403,883.10	2.98%	231,418,989.53	2.57%	0.41%	
Inventories	2,062,112,380.15	21.59%	1,791,392,840.17	19.86%	1.73%	
Investing real estate	25,220,354.21	0.26%	0.00	0.00%	0.26%	
Long-term equity investment				0.00%	0.00%	
Fixed assets	5,131,175,806.66	53.73%	4,878,964,551.16	54.08%	-0.35%	
Construction in progress	265,987,434.60	2.79%	306,480,915.93	3.40%	-0.61%	
Short-term borrowings	1,170,346,491.12	12.25%	1,068,119,117.17	11.84%	0.41%	
Long-term borrowings			111,928,541.12	1.24%	-1.24%	

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 financial assets)		1,110,700.00					1,110,700.00
Total of above	0.00	1,110,700.00					1,110,700.00
Financial liabilities	0.00						0.00

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

□ Yes √ No

3. Restricted Asset Rights as of End of Reporting Period

Not applicable

V Investments Made

1. Total Investments Made

□ 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

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

√ 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 Company's closing net assets (%)	Actual gain/loss in Reporting Period
Commercial bank	Non-related	No	Forward exchange settlement	0	01/19/2017	09/29/2017	0	84,430.51	70,068.05		14,362.46	1.96%	130.3
Commerci	Non-re	No	Foreign	0	01/03/201	09/05/201	0	27,487.71	18,387.71		9,100	1.24%	11.2

al bank	lated		exchange option		7	7							
Commercial bank	Non-related	No	Forward exchange transactions	0	05/22/2017	06/05/2017	0	8,267.54	8,267.54		0		-7.71
Commercial bank	Non-related	No	Foreign exchange swap	0	06/20/2017	06/30/2017	0	12,871.36	12,871.36		0		4.76
Total				0	--	--	0	133,057.12	109,594.66	0	23,462.46	3.20%	138.55

Capital source for derivative investment	Own funds
Lawsuit (if applicable)	Naught
Disclosure date of board of directors announcement on approval of derivative investment (if any)	05/19/2016
Disclosure date of general meeting of shareholders announcement on approval of derivative investment (if any)	
Analysis on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as 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 33h Session of the 7th Board of Directors on May 17, 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 two years of "8•11 exchange rate reform", the central parity of RMB against US dollar gradually formed the current price mechanism of "closing price + overnight basket of currency changes + reverse cycle adjustment factor". The central parity has played a very good role in Price guideline, and the effect of exchange rate reform is remarkable. In the short term, China's economy has gradually stabilized and maintained high-speed growth. The internationalization of RMB is steadily advancing. Therefore, the RMB exchange rate has neither the basis for devaluation nor the need for devaluation. In the long run, the dollar index, customer trading behavior and market makers expectations are still key factors determining the future of RMB exchange rate. In the future, the RMB exchange rate elasticity will increase, and the two-way fluctuation will be obvious. Forward settlement and option business, which are greatly affected by exchange rate fluctuations, are important derivatives transactions of 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 of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	1. As of June 30, 2017, the Company holds 12 outstanding financial derivatives contracts, with a total of USD 36 million , of which 7 forward settlement contracts in a total of USD 21 million , and 5 foreign exchange options contracts in a total of USD15 million. The latest contract period expires in September 2017. Financial derivatives account for 3.20% of net assets at the end of the reporting period. 2. From January to June of 2017, the amount of maturity of the Company's financial derivatives is equivalent to USD 160,204,100, with proceeds of RMB1,385,500, of which the long-term settlements amount to USD 102 million, with proceeds of RMB1,303,000; while foreign currency options amount to USD 27 million, with proceeds of RMB112,000 after execution of contracts; mature foreign exchange transactions are equivalent

	to USD 12,204,100, with a loss of RMB77,100; foreign exchange swaps amount to USD 19 million, with proceeds of RMB 47,600.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the Reporting Period compared to the previous Reporting Period	No significant changes
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors 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.

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 profit

Unit: RMB

Company name	Relationship with the Company	Main business scope	Industry	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	Manufacturing	706,160,000.00	1,516,012,625.72	1,362,338,293.86	791,134,076.11	77,000,380.23	66,827,430.66

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, owning to the influence of various factors, such as the continuous improvement of yield and quality and devaluation and RMB, operation revenue of Lufeng Weaving & Dyeing was RMB 0.791 billion in January to June of 2017, increasing 10.46% compared with last year. Net profit of RMB 66.827,400 million was achieved, increasing 90.13% compared with last year.

VIII Structured Bodies Controlled by the Company

□ Applicable √ Not applicable

IX Performance Forecast for January-September 2017

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:

□ Applicable √ Not applicable

X Risks Facing the Company and Countermeasures

(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. 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 is mainly settled with USD; meanwhile, major equipment used in the Company was imported, part of the 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 the short term, on the one hand, the RMB exchange rate will remain basically stable due to overall stability of the Chinese economy, weaken impact of Federal Reserve interest rate hike, the introduction of counter-cyclical factors to reduce the irrational fluctuations in foreign exchange market, continuous rise of foreign exchange reserves and eased pressure of capital outflow etc. On the other hand, taking into account the specific plan of "shrinking the balance sheet" announced by Federal Reserve, whose pace of normalization of monetary policy may accelerate, US dollar may be thus promoted stronger. In addition, the euro area, Japan and other major economies are likely to gradually return to normalized monetary policy under the good momentum of global economic recovery, and international funds flowing into emerging capital markets will be reduced. Therefore, RMB is still facing a certain devaluation pressure.

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. Secondly, the Company made reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Thirdly, the Company actively adjusted the Renminbi and foreign-currency liabilities structure to control financial costs. Fourthly, according to the fluctuation trend of exchange rates, the Company properly adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company.

Section V Significant Events

I Annual and Special Meetings of Shareholders Convened during the Reporting Period

1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
2016 Annual Meeting of Shareholders	Annual Meeting of Shareholders	0.00%	05/12/2017	05/13/2017	Notice of Resolution (No.: 2017-023) published on Securities Times , Hong Kong Ta Kung Pao and http://www.cninfo.co on May 13, 2017
The First Special Meeting of Shareholders in 2017	Special Meeting of Shareholders	0.11%	03/21/2017	03/22/2017	Notice of Resolution (No.: 2017-010) published on Securities Times , Hong Kong Ta Kung Pao and http://www.cninfo.co on March 22, 2017

2. Special Meetings of Shareholders Convened at Request of Preference Shareholders with Resumed Voting Rights

□ Applicable √ Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for the Reporting Period

□ Applicable √ Not applicable

For the Reporting Period, the Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at Period-End

□ Applicable √ Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of CPAs Firm

Has the semi-annual financial report been audited?

□Yes √ No

This Semi-Annual Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Board Regarding "Modified Auditor's Report" Issued by CPAs Firm for the Reporting Period

□ Applicable √ Not applicable

VI Explanations Given by Board of Directors Regarding "Modified Auditor's Report" Issued for Last Year

□ Applicable √ Not applicable

VII Bankruptcy and Restructuring

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII Legal Matters

Significant lawsuits or arbitrations:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Other legal matters:

□ Applicable √ Not applicable

IX Punishments and Rectifications

□ Applicable √ Not applicable

No such cases in the Reporting Period.

X Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII Significant Related Transactions

1. Related Transactions Relevant to Routine Operations

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

5. Other Significant Related Transactions

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII. Particulars about the Non-operating Occupation of Funds by the Controlling Shareholder and Other Related Parties of the Company

□ Applicable √ Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the Reporting Period.

XIV. Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leasing

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Significant Guarantees

√ Applicable □ Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date of relevant announcement	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
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	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 Harvest Cotton Co., Ltd.	12/10/2014	25,000	12/09/2014	0	Guarantee of joint and several liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam)	08/27/2015	36,681.6	08/26/2015	19,781.15	Guarantee of joint	Two years since the approval of the	No	Yes

Textile Co., Ltd.					and several liability	board of the Company		
Lu Thai (Vietnam) Textile Co., Ltd.	02/25/2016	47,025		0	Guarantee of joint and several liability	Six years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	01/25/2017	23,994.6		313.28	Guarantee of joint and several liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	01/25/2017	6,855.6		180.13	Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	01/25/2017	5,484.48		2,833.8	Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Lu An Garments Co., Ltd.	01/25/2017	4,113.36		0	Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	01/25/2017	28,107.96		0	Guarantee of joint and several liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	01/25/2017	20,566.8		0	Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd. / Lu An Garments Co., Ltd.	01/25/2017	6,855.6		0	Guarantee of joint and several	Two years since the approval of the board of the Company	No	Yes

					liability			
Total amount of approved guarantee for subsidiaries during the Reporting Period (B1)		95,978.4		Total amount of actual guarantee for subsidiaries during the Reporting Period (B2)		6,358.52		
Total amount of approved guarantee for subsidiaries at the end of the Reporting Period (B3)		204,685		Total amount of actual guarantee for subsidiaries at the end of the Reporting Period (B4)		23,108.36		
Guarantees provided by the subsidiaries of the Company for subsidiaries								
Guaranteed party	Disclosure date of relevant announcement	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.	10/28/2016	20,000	10/26/2016	15,000	Guarantee of joint and several liability	12 months	No	Yes
Total guarantee line approved for the subsidiaries during the Reporting Period (C1)		0		Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (C2)		15,000		
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)		20,000		
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)		95,978.4		Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)		21,358.52		
Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)		224,685		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		43,108.36		
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				6.29%				
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)	20,000
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)	20,000
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee (if any)	According to “Agreement on Counter Guarantee” signed on December 9, 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) Illegal Provision of Guarantees for External Parties

□ Applicable √ Not applicable

No such cases in the Reporting Period.

3. Other Significant Contracts

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities

1. Targeted Measures Taken to Help People Lift Themselves Out of Poverty

The Company didn’t carry out the work on targeted poverty alleviation, and subsequent targeted poverty alleviation plan in the Reporting Period.

2. Significant Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

Yes

Name of Company or subsidiary	Name of Main Pollutant and	Discharge Method	Quantity of Emissio	Distribution Informatio	Emission Concentration	Executed Emission Standard of Pollutant	Total Weight of Emission	Approved Total Weight of Emission (t)	Excessive Emissio

	Distinctive Pollutant		n Outlet	n of Emission Outlet			(t)		n Condition
Lu Thai Textile Co., Ltd.	COD, ammonia nitrogen	Continuous emissions	2	Huangjiapu Industrial Park; East Industrial Park	COD≤180mg/L; ammonia nitrohen≤5mg/L	Emission standard of water pollutant of textile dyeing and finishing industry GB 4287-2012	COD was 403.41tons; ammonia nitrogen was 16.41 tons	COD was 3505 tons; ammonia nitrogen was 316tons	Naught
Zibo Xinsheng Thermoelectricity Co., Ltd	SO2, NQx, smoke	Continuous emissions	3	Production Plant of Xinsheng Thermoelectricity	SO2：≤35mg/m3、NQx: ≤100 mg/m3, smoke: ≤10 mg/m3	No. 2 modification list of ultra-low emissions of Emission Standard of Air Pollutant of Thermal Power Plant in Shandong Province LZJBF (2016) No. 46.	SO2: 30.2t, NQx: 154.1t, smoke: 2.8t	SO2: 217.84t/a, NQx: 622.41t/a, smoke: 59.54t/a	Naught

Construction of pollution prevention equipment and operation condition:

Lu Thai Textile Co., Ltd. strictly implements the "Three Simultaneous" management system for environmental protection project of construction projects, which is supported with perfect waste gas and water treatment facilities. These supporting waste gas and water treatment facilities are equipped with teams being responsible for daily operation and maintenance under a patrol system. These supporting environmental protection facilities run normally and maintain synchronous operation with main production facilities. The wholly owned subsidiary Xinsheng Thermal Power Co., Ltd., in accordance with the "Green Power Upgrade Project" of the government, makes arrangements for the deployment of strict implementation of the "Three Simultaneous" management system for construction project environmental protection. It adopts the co-governance technology route of lowering initial emission concentration of nitrogen oxides by "technical reform of low nitrogen combustion in boiler furnace" + “selective non catalytic reduction (SNCR) method for flue gas denitrification" + high efficiency dust removal by "four-stage high voltage electrostatic precipitator" and "electric-bag compound dust collector" + wet desulfurization by "limestone-gypsum process" + deep dust removal by "wet high-voltage electrostatic precipitator", which runs normally.

XVI. Other Significant Events

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XVII. Significant Events of Subsidiaries

□ Applicable √ Not applicable

Section VI Share Changes and Shareholders' Profile

I. Share Changes

1. Share Changes

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. Shares subject to trading moratorium	119,375,240	12.94%				128,824	128,824	119,504,064	12.95%
3. Other domestic shares	1,142,840	0.12%				128,824	128,824	1,271,664	0.14%
Shares held by domestic individuals	1,142,840	0.12%				128,824	128,824	1,271,664	0.14%
4. Shares held by overseas shareholders	118,232,400	12.82%						118,232,400	12.82%
Including: Shares held by overseas legal persons	118,232,400	12.82%						118,232,400	12.82%
II. Shares not subject to trading moratorium	803,227,071	87.06%				-128,824	-128,824	803,098,247	87.05%
1. Ordinary shares denominated in RMB	560,822,460	60.79%				-109,324	-109,324	560,713,136	60.78%
2. Domestically listed foreign shares	242,404,611	26.27%				-19,500	-19,500	242,385,111	26.27%
III. Total of shares	922,602,311	100.00%				0	0	922,602,311	100.00%

Reasons for the share changes

√ Applicable □ Not applicable

Because of the demission of Directors and the increase of domestically listed foreign shares held by some directors, and adjusting senior managers' shares of Shenzhen branch of China Securities Depository and Clearing Corporation Limited, 128,824 shares of "limited sales condition shares-domestic natural person holding" of the Company increased.

Approval of share changes

□ Applicable √ Not applicable

Transfer of share ownership

□ Applicable √ Not applicable

Effects of share changes on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the prior year and the prior period

□ Applicable √ Not applicable

Other contents that the Company considers necessary or is required by the securities regulatory authorities to disclose

□ Applicable √ Not applicable

2. Changes in Restricted Shares

□ Applicable √ Not applicable

II. Issuance and Listing of Securities

□ Applicable √ Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period	61,000	Total number of preference shareholders who had resumed their voting right at the end of the Reporting Period (if any) (see note 8)	0

Shareholdings of ordinary shareholders with a stake over 5% or top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of ordinary shares held at the end of the Reporting Period	Increase/decrease of shares during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary 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			
Hong Kong Securities Clearing Co. Ltd	Foreign corporation	2.59%	23,931,227	17,759,510		23,931,227		
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	0		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	1.19%	10,956,300	-1,473,700		10,956,300		
Hua'an New Silk Road Theme Equity Securities Investment Fund	Domestic Non-stated-owned corporation	1.11%	10,200,000	3,000,000		10,200,000		
A share funds of first state of China	Foreign corporation	0.96%	8,852,681	3,502,900.00		8,852,681		
BNP Paribas－own funds	Foreign corporation	0.88%	8,131,797	0		8,131,797		
Strategic investors or the general legal person due to the placement of new shares become the top 10 ordinary shareholders (if any) (note 3)		Naught						
Explanation on associated relationship among the above-mentioned shareholders or explanation on acting-in-concert		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 shares held by top 10 common shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Number
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB common shares	
Hong Kong Securities Clearing Co. Ltd	23,931,227	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	10,956,300	Domestically listed foreign shares	
Hua'an New Silk Road Theme Equity Securities Investment Fund	10,200,000	RMB common shares	
A share funds of first state of China	8,852,681	RMB common shares	
BNP Paribas－own funds	8,131,797	RMB common shares	
Hong Kong Monetary Authority－own funds	7,795,650	RMB common shares	
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder 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.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	Naught		

Indicate by tick mark whether any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

□ Yea √ No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

There was no any change of the controlling shareholder of the Company in the Reporting Period.

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable

There was no any change of the actual controller of the Company in the Reporting Period.

Section VII Preference Shares

□ Applicable √ Not applicable

No preference shares in the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

I Changes in Shareholdings of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Incumbent/former	Opening shareholding (share)	Increase in the Current Period (share)	Decrease in the Current Period (share)	Closing shareholding (share)	Number of granted restricted shares at the period-beginning (share)	Number of restricted shares granted in the Current Period (share)	Number of granted restricted shares at the period-end (share)
Liu Zibin	Chairman/GM	Current	148,290			148,290			
Xu Zhinan	Vice President	Current							
Fujiwara Hidetoshi	Director /Senior Consultant	Current							
Chen Ruimou	Director	Current							
Zeng Facheng	Director	Current							
Wang Fangshui	Director /Vice GM/Chief Engineer	Current	146,753			146,753			
Liu Deming	Director	Current							
Qin Guiling	Director / Vice GM /Chairman Secretary	Current	107,042	19,500		126,542			
Zhang Hongmei	Director /Chief Accountant	Current	92,500			92,500			
Xu Jianjun	Independent Director	Current							

Zhao Yao	Independent Director	Current							
Bi Xiuli	Independent Director	Current							
Pan Ailing	Independent Director	Current							
Wang Xinyu	Independent Director	Current							
Li Tongmin	Supervisory Board Chairman	Current	176,164			176,164			
Liu Zilong	Supervisor	Current							
Dong Shibing	Supervisor	Current	5,000			5,000			
Zhang Jianxiang	Vice GM	Current	52,150			52,150			
Wang Jiabin	Vice GM, Product Manager	Current	83,700			83,700			
Zhang Shougang	Vice GM, Management Manager	Current	73,100			73,100			
Zhang Zhanqi	Vice GM, GM of Lufeng Company	Current	80,300			80,300			
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Current							
Zhang Keming	Financial Manager	Current	77,700			77,700			
Li Wenji	CIO	Current	10,000			10,000			
Pan Pingli	Manager of the Third Department of International Business	Current	130,496			130,496			
Lv Yongchen	Vice GM of Lufeng Company	Current	33,750			33,750			
Yu Shouzheng	Energy Business Manager	Current	83,100			83,100			
Wang Changzha	Manager of the First Department of International	Current	22,500			22,500			

o	Business								
Quan Peng	Marketing Manager	Current	27,750			27,750			
Shang Chenggang	Clothing Business Manager	Current	30,000			30,000			
Total	--	--	1,380,295	19,500	0	1,399,795	0	0	0

II Changes in Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date	Reason
Liu Deming	Director	Elected	05/12/2017	Be elected as the Director of the 8th Board of Directors.

Section IX 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 X Financial Report

I. Auditor’s Report

Whether the semi-annual report has been audited?

□Yes √ No

The semi-annual report of the Company has not been audited.

II. Financial Statements

The unit of the financial statements attached: RMB

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

June 30, 2017

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	601,260,394.17	662,967,785.49
Financial assets at fair value through profit/loss	1,110,700.00	
Derivative financial assets		
Notes receivable	96,812,985.77	84,161,909.91
Accounts receivable	284,403,883.10	293,129,727.93
Accounts paid in advance	139,250,217.85	212,487,501.51
Interest receivable		
Dividends receivable		
Other accounts receivable	31,021,116.32	46,262,835.47
Financial assets purchased under agreements to resell		

Inventories	2,062,112,380.15	1,816,700,441.85
Assets held for sale		
Non-current assets due within one year		
Other current assets	49,899,317.36	107,535,889.38
Total current assets	3,265,870,994.72	3,223,246,091.54
Non-current assets:		
Available-for-sale financial assets	24,660,000.00	24,660,000.00
Held-to-maturity investments		
Long-term accounts receivable	2,310,000.00	2,310,000.00
Long-term equity investments		
Investment property	25,220,354.21	25,844,090.56
Fixed assets	5,131,175,806.66	5,244,335,459.80
Construction in progress	265,987,434.60	154,668,358.96
Engineering materials	108,821,916.14	117,120,463.50
Disposal of fixed assets		
Productive living assets	1,395,333.76	1,381,292.75
Intangible assets	480,808,661.11	384,253,077.39
R&D expenses		
Goodwill	20,613,803.29	20,613,803.29
Long-term deferred expenses	112,044,409.51	114,227,364.54
Deferred tax assets	65,994,786.41	63,183,792.63
Other non-current assets	45,260,374.22	31,259,468.38
Total non-current assets	6,284,292,879.91	6,183,857,171.80
Total assets	9,550,163,874.63	9,407,103,263.34
Current liabilities:		
Short-term borrowings	1,170,346,491.12	873,261,856.02
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable	3,088,525.00	
Accounts payable	239,758,421.16	252,538,563.06
Accounts received in advance	91,701,520.84	89,451,314.62
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	228,687,259.66	315,618,449.91

Taxes payable	60,019,276.75	77,214,706.67
Interest payable	1,399,311.51	1,165,730.47
Dividends payable	441,113.64	441,113.64
Other accounts payable	62,386,889.87	69,365,641.15
Reinsurance premiums payable		
Liabilities held for sale		
Non-current liabilities due within one year	137,564,884.44	
Other current liabilities		
Total current liabilities	1,995,393,693.99	1,679,057,375.54
Non-current liabilities:		
Long-term borrowings		135,678,044.89
Long-term accounts payable		
Long-term payroll payable	97,673,785.15	79,122,422.89
Special payables		
Provisions		
Deferred income	117,579,951.26	95,990,489.79
Deferred tax liabilities	2,271,524.56	2,341,089.87
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	219,365,260.97	314,972,047.44
Total liabilities	2,214,758,954.96	1,994,029,422.98
Owners’ equity:		
Share capital	922,602,311.00	922,602,311.00
Capital reserve	753,484,021.82	753,440,557.83
Less: Treasury shares		
Other comprehensive income	38,508,452.99	53,293,544.89
Special reserve		
Surplus reserve	888,761,783.04	888,761,783.04
Provisions for general risks		
Retained earnings	4,251,656,358.48	4,319,887,532.43
Equity attributable to owners of the Company	6,855,012,927.33	6,937,985,729.19
Minority interests	480,391,992.34	475,088,111.17
Total owners’ equity	7,335,404,919.67	7,413,073,840.36
Total liabilities and owners’ equity	9,550,163,874.63	9,407,103,263.34

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	Closing balance	Opening balance
Current assets:		
Monetary funds	226,365,988.84	177,016,859.63
Financial assets at fair value through profit/loss	1,110,700.00	
Derivative financial assets		
Notes receivable	60,513,574.73	64,421,665.52
Accounts receivable	309,285,846.20	297,026,110.33
Accounts paid in advance	35,982,641.64	139,013,057.80
Interest receivable		
Dividends receivable		
Other accounts receivable	344,736,279.78	340,458,208.20
Inventories	1,400,552,673.13	1,086,364,931.72
Assets held for sale		
Non-current assets due within one year		
Other current assets	10,160,554.93	1,126,006.88
Total current assets	2,388,708,259.25	2,105,426,840.08
Non-current assets:		
Available-for-sale financial assets	12,500,000.00	12,500,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	1,718,956,616.04	1,711,021,866.04
Investment property	14,477,218.86	14,829,443.58
Fixed assets	2,891,842,729.34	3,019,132,803.64
Construction in progress	66,747,892.97	25,796,329.33
Engineering materials	4,460,897.70	663,894.82
Disposal of fixed assets		
Intangible assets	228,353,171.60	229,433,475.02
R&D expenses		
Goodwill		
Long-term deferred expenses		

Deferred tax assets	59,139,599.26	62,042,513.61
Other non-current assets	18,984,420.27	8,831,098.34
Total non-current assets	5,015,462,546.04	5,084,251,424.38
Total assets	7,404,170,805.29	7,189,678,264.46
Current liabilities:		
Short-term borrowings	825,244,964.72	503,005,010.24
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable	400,000.00	
Accounts payable	167,691,573.57	158,737,347.81
Accounts received in advance	69,190,582.16	54,552,285.78
Payroll payable	169,190,142.84	240,389,712.34
Taxes payable	46,699,473.31	47,790,003.82
Interest payable	1,399,311.51	646,147.15
Dividends payable	441,113.64	441,113.64
Other accounts payable	20,356,915.19	19,309,386.42
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	1,300,614,076.94	1,024,871,007.20
Non-current liabilities:		
Long-term borrowings		
Long-term payables		
Long-term payroll payable	97,673,785.15	79,122,422.89
Special payables		
Provisions		
Deferred income	70,450,071.64	62,691,326.97
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	168,123,856.79	141,813,749.86
Total liabilities	1,468,737,933.73	1,166,684,757.06
Owners' equity:		
Share capital	922,602,311.00	922,602,311.00
Capital reserve	759,836,702.91	759,793,238.92

Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	888,761,783.04	888,761,783.04
Retained earnings	3,364,232,074.61	3,451,836,174.44
Total owners' equity	5,935,432,871.56	6,022,993,507.40
Total liabilities and owners' equity	7,404,170,805.29	7,189,678,264.46

3. Consolidated Income Statement

Unit: RMB

Item	January-June 2017	January-June 2016
1. Operating revenues	2,990,459,696.43	2,831,326,773.03
Including: Sales income	2,990,459,696.43	2,831,326,773.03
2. Operating costs	2,513,954,465.70	2,409,931,338.67
Including: Cost of sales	2,049,939,214.63	1,937,399,591.08
Taxes and surtaxes	51,498,151.73	24,800,728.52
Selling expenses	68,365,512.22	88,709,663.50
Administrative expenses	312,470,311.94	341,771,955.16
Finance costs	30,695,300.54	19,810,742.68
Asset impairment loss	985,974.64	-2,561,342.27
Add: Profit on fair value changes ("-" means loss)	1,110,700.00	30,946,569.40
Investment income ("-" means loss)	1,825,335.34	-33,641,221.22
Including: Share of profit/loss of associates and joint ventures		
Exchange gains ("-" means loss)		
Other gains	10,580,637.29	
3. Operating profit ("-" means loss)	490,021,903.36	418,700,782.54
Add: Non-operating income	4,444,757.98	21,193,437.32
Including: Profit on disposal of non-current assets	79,814.73	228,313.30
Less: Non-operating expense	5,919,822.60	7,718,639.90
Including: Loss on disposal of non-current assets	2,052,051.87	5,412,125.25
4. Total profit ("-" means loss)	488,546,838.74	432,175,579.96
Less: Corporate income tax	78,649,409.64	89,518,494.52
5. Net profit ("-" means loss)	409,897,429.10	342,657,085.44

Net profit attributable to owners of the Company	393,069,981.55	344,641,184.73
Minority interests' income	16,827,447.55	-1,984,099.29
6. Other comprehensive income net of tax	-14,785,091.90	12,389,756.62
Other comprehensive income net of tax attributable to owners of the Company	-14,785,091.90	12,389,756.62
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	-14,785,091.90	12,389,756.62
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	-14,785,091.90	12,389,756.62
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests		
7. Total comprehensive income	395,112,337.20	355,046,842.06
Attributable to owners of the Company	378,284,889.65	357,030,941.35
Attributable to minority interests	16,827,447.55	-1,984,099.29
8. Earnings per share		
8.1 Basic earnings per share	0.43	0.37
8.2 Diluted earnings per share	0.43	0.37

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 RMB0.00, with the corresponding amount for the last period being RMB0.00.

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	January-June 2017	January-June 2016
1. Operating revenues	2,482,323,588.80	2,368,661,868.37
Less: Operating costs	1,766,681,024.07	1,694,641,982.80
Taxes and surtaxes	37,477,779.18	16,485,789.46
Selling expenses	43,320,775.03	41,443,498.62
Administrative expenses	210,435,426.62	240,628,498.30
Finance costs	8,369,769.83	16,938,533.41
Asset impairment loss	262,131.70	28,282,906.69
Add: profit on fair value changes (“-” means loss)	1,110,700.00	29,792,100.00
Investment income (“-” means loss)	19,258,397.61	10,374,629.30
Including: Share of profit/loss of associates and joint ventures		
Other gains	5,169,055.33	
2. Operating profit (“-” means loss)	441,314,835.31	370,407,388.39
Add: Non-operating income	2,286,879.48	8,189,519.23
Including: Profit on disposal of non-current assets	79,814.73	182,382.68
Less: Non-operating expense	4,258,965.03	1,508,061.31
Including: Loss on disposal of non-current assets	518,095.91	69,815.52
3. Total profit (“-” means loss)	439,342,749.76	377,088,846.31
Less: Corporate income tax	65,645,694.09	59,769,948.62
4. Net profit (“-” means loss)	373,697,055.67	317,318,897.69
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	373,697,055.67	317,318,897.69
7. Earnings per share		
7.1 Basic earnings per share	0.41	0.33
7.2 Diluted earnings per share	0.41	0.33

5. Consolidated Cash Flow Statement

Unit: RMB

Item	January-June 2017	January-June 2016
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,963,874,950.58	2,812,336,711.92
Net increase in disposal of financial assets at fair value through profit/loss		
Tax refunds received	103,287,108.06	101,275,470.39
Cash received from other operating activities	50,782,423.51	35,139,448.72
Subtotal of cash inflows from operating activities	3,117,944,482.15	2,948,751,631.03
Cash paid for goods and services	1,632,941,916.28	1,274,986,141.87
Cash paid to and for employees	819,725,451.87	799,339,164.59
Taxes paid	178,723,600.79	192,415,372.94
Cash paid for other operating activities	143,633,754.91	118,603,604.20
Subtotal of cash outflows due to operating activities	2,775,024,723.85	2,385,344,283.60
Net cash flows from operating activities	342,919,758.30	563,407,347.43
2. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received as investment income	439,800.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,257,813.92	746,129.22
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities	70,035,606.25	5,852,642.02
Subtotal of cash inflows from investing activities	71,733,220.17	6,598,771.24
Cash paid to acquire fixed assets, intangible assets and other long-term assets	288,682,233.54	445,389,460.81
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		37,625,897.29
Subtotal of cash outflows due to investing activities	288,682,233.54	483,015,358.10
Net cash flows from investing activities	-216,949,013.37	-476,416,586.86
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	1,143,078,297.25	1,150,565,513.31
Cash received from issuance of bonds		
Cash received from other financing activities	8,000,000.00	29,805,722.42
Subtotal of cash inflows from financing activities	1,151,578,297.25	1,180,371,235.73
Repayment of borrowings	833,454,881.16	793,831,444.36
Cash paid for interest expenses and distribution of dividends or profit	483,807,181.18	460,834,827.15
Including: dividends or profit paid by subsidiaries to minority interests		
Cash paid for other financing activities		203,465,414.43
Sub-total of cash outflows due to financing activities	1,317,262,062.34	1,458,131,685.94
Net cash flows from financing activities	-165,683,765.09	-277,760,450.21
4. Effect of foreign exchange rate changes on cash and cash equivalents	-14,067,019.42	3,240,158.34
5. Net increase in cash and cash equivalents	-53,780,039.58	-187,529,531.30
Add: Opening balance of cash and cash equivalents	654,779,220.82	765,695,473.65
6. Closing balance of cash and cash equivalents	600,999,181.24	578,165,942.35

6. Cash Flow Statement of the Company

Unit: RMB

Item	January-June 2017	January-June 2016
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,436,886,166.08	2,319,086,273.65
Tax refunds received	75,165,906.24	79,077,492.94
Cash received from other operating activities	15,897,897.32	8,476,623.71
Subtotal of cash inflows from operating activities	2,527,949,969.64	2,406,640,390.30
Cash paid for goods and services	1,526,580,047.50	1,170,201,165.76
Cash paid to and for employees	587,514,691.21	591,944,379.31
Taxes paid	97,827,376.39	87,975,686.65

Cash paid for other operating activities	75,176,222.57	65,775,345.61
Subtotal of cash outflows due to operating activities	2,287,098,337.67	1,915,896,577.33
Net cash flows from operating activities	240,851,631.97	490,743,812.97
2. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received as investment income	17,976,433.62	37,201,249.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	1,272,813.92	617,126.22
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities	143,584,458.87	1,982,456.23
Subtotal of cash inflows from investing activities	162,833,706.41	39,800,831.51
Cash paid to acquire fixed assets, intangible assets and other long-term assets	35,162,185.30	108,131,817.43
Cash paid for investment	7,934,750.00	125,429,260.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities	162,588,600.00	27,632,600.00
Subtotal of cash outflows due to investing activities	205,685,535.30	261,193,677.43
Net cash flows from investing activities	-42,851,828.89	-221,392,845.92
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings	921,800,512.27	830,324,835.12
Cash received from issuance of bonds		
Cash received from other financing activities		
Subtotal of cash inflows from financing activities	921,800,512.27	830,324,835.12
Repayment of borrowings	597,328,780.40	508,528,371.67
Cash paid for interest expenses and distribution of dividends or profit	464,854,599.26	455,604,710.53
Cash paid for other financing activities		281,215,324.43
Sub-total of cash outflows due to financing activities	1,062,183,379.66	1,245,348,406.63
Net cash flows from financing activities	-140,382,867.39	-415,023,571.51
4. Effect of foreign exchange rate changes on cash and cash equivalents	-8,267,806.48	-2,662,104.87
5. Net increase in cash and cash equivalents	49,349,129.21	-148,334,709.33
Add: Opening balance of cash and cash equivalents	177,016,859.63	361,326,403.14
6. Closing balance of cash and cash equivalents	226,365,988.84	212,991,693.81

7. Consolidated Statement of Changes in Owners' Equity

January-June 2017

Unit: RMB

Item	January-June 2017												
	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	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
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	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
3. Increase/ decrease in the period ("-" means decrease)					43,463.99		-14,785,091.90				-68,231,173.95	5,303,881.17	-77,668,920.69
3.1 Total comprehensive income							-14,785,091.90				393,069,981.55	16,827,447.55	395,112,337.20
3.2 Capital increased and reduced by owners					43,463.99								43,463.99
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity													

instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other					43,463.99								43,463.99
3.3 Profit distribution											-461,301,155.50	-11,523,566.38	-472,824,721.88
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or shareholders)											-461,301,155.50	-11,523,566.38	-472,824,721.88
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													

Item	Share capital	Preference shares	Perpetual bonds	Other	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total owners' equity
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				753,484,021.82		38,508,452.99		888,761,783.04		4,251,656,358.48	480,391,992.34	7,335,404,919.67

January-June 2016

Unit: RMB

Item	January-June 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

8. Statement of Changes in Owners' Equity of the Company

January-June 2017

Unit: RMB

Item	January-June 2017										
	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	922,602,311.00				759,793,238.92				888,761,783.04	3,451,836,174.44	6,022,993,507.40

year											
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	922,602,311.00				759,793,238.92				888,761,783.04	3,451,836,174.44	6,022,993,507.40
3. Increase/ decrease in the period (“-” means decrease)					43,463.99					-87,604,099.83	-87,560,635.84
3.1 Total comprehensive income										373,697,055.67	373,697,055.67
3.2 Capital increased and reduced by owners					43,463.99						43,463.99
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners’ equity											
3.2.4 Other					43,463.99						43,463.99
3.3 Profit distribution										-461,301,155.50	-461,301,155.50
3.3.1 Appropriation to surplus reserve											

3.3.2 Appropriation to owners (or shareholders)										-461,301,155.50	-461,301,155.50
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				759,836,702.91				888,761,783.04	3,364,232,074.61	5,935,432,871.56

January-June 2016

Unit: RMB

Item	January-June 2016								
	Share capital	Other equity instruments	Capital reserve	Less: Treasury	Other	Specia	Surplus reserve	Retained earnings	Total owners'

		Preference shares	Perpetual bonds	Other		shares	comprehensive income	l reserv e			equity
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 period ("-" means decrease)	-33,156,185.00				-253,705,609.14	-11,610,721.68			73,113,278.76	192,494,135.29	-9,643,658.41
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

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 February 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 December 25, 2003, the inner employees’ shares reach 3 years since listing on the A-share stock market, and they set out circulation on December 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 December 8, 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 August 13, 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 June 25, 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 March 27, 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 June 11, 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 June 30, 2017, the registered capital of the Company was RMB922.6023 million.

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

The Company's legal representative: Liu Zibin

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

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

There were 15 subsidiaries included into the consolidation scope of the Company from January to June 2017, and for the details, please refer to Notes VIII. "Equities among Other Entities".

IV. Basis for the Preparation of the Financial Statement

1. Basis for the Preparation

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. Significant Accounting Policies and Estimates

Specific accounting policies and accounting estimates indicators:

The Company and each subsidiary mainly engage in the production and operation of textile products. The Company and each subsidiary according to the actual production and operation characteristics and the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimates of the transactions and events such as recognizing the revenues, and for details, please refer to each description of Notes V. As for the notes to the important accounting judgment and estimations made by the management level, please refer to Notes 25. “Other important accounting policies and estimations”.

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 June 30, 2017, business results and cash flows for the January to June of 2017, 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 January 1 and ends on December 31 of every year according to the Gregorian calendar.

3. Operating Cycle

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

4. Recording Currency

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

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

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

(1) Business combinations under the same control

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

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

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

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree.

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

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

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see Notes V. 6 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and Notes V. 12. “Long term equity investment transaction” and conduct accounting treatment, those not belong to the "package deal" distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

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

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

6. Preparation of the Consolidated Financial Statements

(1) Principle for determining the consolidation scope

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

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

(2) Methods for preparing the consolidated financial statements

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

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

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

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

Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Company according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Company's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No. 2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No. 22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see Notes V. 12. "Long Term Equity Investment" or Notes V. 9. "Financial Instruments".

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 Notes V. 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 loss of control, when the Company losing control on its subsidiary.

7. Confirmation Standard for Cash and Cash Equivalent

The term "cash" refers to cash on hand and deposits that are available for payment at any time. The term "cash equivalents" refers to short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

(1) Accounting treatments for translation of foreign currency transactions

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

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

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the 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. Raw yarn, yarn, and fabric shall be measured by FIFO method when delivered, and the raw material and shirts shall be measured as per the weighted average method.

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

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

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined 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 policies to Notes V. 9. “Financial instrument”

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation 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 policies 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 January 1, 2007 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

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

④ Disposal of long-term equity investment

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

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

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized 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 in Notes V. 18 "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	0-10	3.00-20.00
Machinery equipments	Average method of useful life	10-18	0-10	5.00-10.00
Transportation vehicle	Average method of useful life	5	0-10	18.00-20.00
Electronic equipments and others	Average method of useful life	5	0-10	18.00-20.00

(3) Recognition Basis, pricing and depreciation method of fixed assets by finance lease

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

15. Construction in Progress

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 Notes V. 18 “Long-term assets impairment”.

16. 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.

17. 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 Policies 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

For details of impairment testing method and provision-making method for intangible assets, see Notes V. 18 “Long-term assets impairment”.

18. 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.

19. 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.

20. 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 Demission

The Company relieves the labor relation with the employees before the due date of the labor contacts or puts forward the advice of providing the compensation for urging the employees volunteered to receive the downsizing and when the Company could not unilaterally withdraw the demission welfare owning to the relieving plan of the labor relation or the downsizing advice, should confirm the liabilities of the employees’ salary from the demission welfare on the earlier day between the cost confirmed by the Company and the cost related to the reorganization of the payment of the demission welfare and includes which in the current gains and losses. But as for the demission welfare be estimated that could not be completed paid within 12 months after the end of the annual Reporting Period, should be handled according to the other long-term employee’s salary.

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

21. 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 cannot 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 cannot 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 cannot 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.

22. Government Subsidies

(1) Judgment Basis and Accounting Treatment of Government Subsidies Related to Assets

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 cannot 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.

(2) Judgment Basis and Accounting Treatment of Government Subsidies Related to Income

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 other profits and losses during the period to confirm the related expenses; the occurred related cost expenses and losses for compensation shall be calculated in other gains or non-operating income.
Government subsidy related to routine activities of corporation shall be calculated in other gains according to the essence of economic business. Government subsidy not related to routine activities of corporation shall be calculated in non-operating income.
When the confirmed government subsidy needs to be returned and there is the related deferred income balance, the related deferred income book balance shall be offset, 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.

23. 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 from other taxable temporary difference.

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

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

24. 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 Finance 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.

25. Other Significant Accounting Policies 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.

26. Changes in Main Accounting Policies and Estimates

(1) Change of Accounting Policies

□ Applicable √ Not applicable

(2) Significant Changes in Accounting Estimates

□ Applicable √ Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 17%, 13%, 11%, 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%, 11%, 6%, 5%, 3%, 0%
Urban maintenance and construction tax	Paid at 7%, 5%, 1% of the circulating tax actually paid	7%, 5%, 1%
Enterprise income tax	Paid at 0%, 15%, 16.5%, and 25% of taxable income respectively	0%, 15%, 16.5%, 25%

Notes 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 Public Notice on New High-tech Enterprise List in 2014 of Shandong Province (LKHZ [2014] No. 136) 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 October 31, 2014. The Company shall, in line with Article 28 of *Enterprise Income Tax Law of the People's Republic of China*, No. 76 announcement in 2015 of "Handling Measures for Matters on Enterprise Income Tax Preferential Policy" issued by the State Administration of Taxation and the "Guidelines for Administration of Accreditation of New and High Technology Enterprises" GKF (2016) No.195, which is revised and issued by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, enjoy a 15% rate for enterprise income tax.

The Company's controlled subsidiary— Lufeng Weaving & Dyeing Co., Ltd., in accordance with the Public Notice on Confirmation of New High-tech Enterprise List in 2014 of Shandong Province (LKHZ [2014] No. 130) 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 October 30, 2014. The Company shall, in line with Article 28 of *Enterprise Income Tax Law of the People's Republic of China*, No. 76 announcement in 2015 of "Handling Measures for Matters on Enterprise Income Tax Preferential Policy" issued by the State Administration of Taxation and the "Guidelines for Administration of Accreditation of New and High Technology Enterprises" GKF (2016) No.195, which is revised and issued by Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, enjoy a 15% 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 duty-free term if it is profitable in 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.
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	4,155,209.28	3,216,250.69
Bank deposits	596,843,971.96	651,562,970.13
Other monetary funds	261,212.93	8,188,564.67
Total	601,260,394.17	662,967,785.49
Of which total amount of deposited abroad	91,339,325.43	98,109,438.71

Other notes:

On June 30, 2017, the monetary fund with restricted ownership of the Company was of RMB 261,212.93 (December 31, 2016: RMB 8,188,564.67), which was guarantee deposit of RMB261,212.93 by the Company's subsidiary Lufeng Weaving & Dyeing (See Notes VII. 57).

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	1,110,700.00	
Equity instrument investment	1,110,700.00	
Total	1,110,700.00	

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	14,130,123.08	12,263,703.90
Letter of credit	82,682,862.69	71,898,206.01
Total	96,812,985.77	84,161,909.91

(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	156,334,943.46	
Total	156,334,943.46	

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	299,479,242.38	100.00%	15,075,359.28	5.03%	284,403,883.10	308,637,549.96	100.00%	15,507,822.03	5.02%	293,129,727.93
Total	299,479,242.38	100.00%	15,075,359.28	5.03%	284,403,883.10	308,637,549.96	100.00%	15,507,822.03	5.02%	293,129,727.93

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	298,627,298.59	14,931,364.91	5.00%
Subtotal within 1 year	298,627,298.59	14,931,364.91	5.00%
1 to 2 years	557,943.79	55,794.37	10.00%
Over 3 years	294,000.00	88,200.00	30.00%
Total	299,479,242.38	15,075,359.28	5.03%

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 -432,462.75; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

(3) Top 5 of the Closing Balance of the Accounts Receivable Collected According to the Arrears Party

The total amount of the top 5 of the closing balance of the accounts receivable collected according to the arrears party of the Company was of RMB 76,077,679.68 in the Reporting Period, 25.40% of total amount of closing balance of account receivable. The total amount of closing balance of bad debt provision was of RMB 3,803,883.98.

6. Prepayment

(1) Listed by Aging Analysis

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	137,054,292.20	98.42%	211,402,803.04	99.49%
1 to 2 years	2,140,217.65	1.54%	805,437.09	0.38%

2 to 3 years	19,505.29	0.01%	242,576.42	0.11%
Over 3 years	36,202.71	0.03%	36,684.96	0.02%
Total	139,250,217.85	--	212,487,501.51	--

(2) Top 5 of the Closing Balance of the Prepayment Collected According to the Prepayment Target

The total amount of the top 5 of the closing balance of the prepayment collected according to the prepayment target was of RMB 45,859,784.84, 32.93% of total amount of closing balance of prepayment.

7. 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	35,928,529.49	100.00%	4,907,413.17	13.66%	31,021,116.32	52,008,961.83	100.00%	5,746,126.36	11.05%	46,262,835.47
Total	35,928,529.49	100.00%	4,907,413.17	13.66%	31,021,116.32	52,008,961.83	100.00%	5,746,126.36	11.05%	46,262,835.47

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	22,854,883.98	1,142,742.68	5.00%
Subtotal within 1 year	22,854,883.98	1,142,742.68	5.00%

1 to 2 years	566,407.13	56,640.71	10.00%
2 to 3 years	441,417.35	88,283.47	20.00%
Over 3 years	12,065,821.03	3,619,746.31	30.00%
Total	35,928,529.49	4,907,413.17	13.66%

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) Bad Debt Provision Withdrawal, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB -827,931.19; 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	10,782.00

(4) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Export taxes refund	2,665,685.60	18,563,850.28
Advance payment	11,904,513.12	17,597,169.14
Pledge and guarantee	7,037,663.30	3,757,964.01
Lending and deposit	2,847,982.40	1,404,072.87
Other	11,472,685.07	10,685,905.53
Total	35,928,529.49	52,008,961.83

(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
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	6,814,952.38	Within 1 year	18.97%	340,747.62
Deposits for wages paid to migrant workers of Zichuan District, Zibo city	Deposits for wages paid to migrant workers of infrastructure works	2,955,620.10	Over 3 years	8.23%	886,686.03
Finance Bureau of Zichuan District, Zibo	Export tax refunds of the local government	2,665,685.60	Over 3 years	7.42%	799,705.68
Advance payment of Xisha Village, Xinjiang	Advance payment	1,691,340.28	Within 1 year	4.71%	84,567.01
Electric charge of sub-storehouse of Xinjiang	Advance payment	1,679,179.54	Within 1 year	4.67%	83,958.98
Total	--	15,806,777.90	--	44.00%	2,195,665.32

8. 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	932,433,210.94	55,147.54	932,378,063.40	719,354,838.11	620,979.00	718,733,859.11
Products in process	468,298,319.07		468,298,319.07	412,808,521.45		412,808,521.45
Inventory goods	678,166,953.59	42,851,908.27	635,315,045.32	731,266,751.73	64,673,863.30	666,592,888.43
Consumptive biological assets	1,313,513.67	595,177.89	718,335.78	1,141,156.72	671,556.72	469,600.00
Assigned processing products	25,402,616.58		25,402,616.58	18,095,572.86		18,095,572.86
Total	2,105,614,613.85	43,502,233.70	2,062,112,380.15	1,882,666,840.87	65,966,399.02	1,816,700,441.85

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) Inventory Falling Price Reserves

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Write-back or write-off	Other	
Raw materials	620,979.00			565,831.46		55,147.54
Stock commodity	64,673,863.30	2,246,368.58		24,068,323.61		42,851,908.27
Consumptive biological assets	671,556.72			76,378.83		595,177.89
Total	65,966,399.02	2,246,368.58		24,710,533.90		43,502,233.70

Item	Specific basis of withdrawal of inventory falling price reserves	Reasons for write-back	Reasons for write-off
Raw materials	The lower one between cost of each item of inventory and its realizable net value		Dispose in the Reporting Period
Stock commodity	The lower one between cost of each item of inventory and its realizable net value		Sale in the Reporting Period
Consumptive biological assets	The lower one between cost of each item of inventory and its realizable net value		Sale in the Reporting Period

Notes: ①The inventory falling price reserves shall be made based on the balance of inventory cost and the realizable net value regarding the former is higher than the latter, which is caused by the quality problem of some raw materials, the gray yarn and dyed yarn in finished products, by the long stock age of some shirts and fabric and by the decrease of market price of the consumptive biological asset Hu sheep at the end of the Reporting Period.

②The subsidiary of the Company Xinjiang Lu Thai Textile obtained the bank short-term loan of RMB200,000,000.00 leaving the inventories as a pledge and secured by Xinjiang Lu Thai. The closing book value of the inventories was RMB62,445,521.72.

9. Other Current Assets

Unit: RMB

Item	Closing balance	Opening balance
Prepaid income tax to be deducted	1,847,977.57	1,325,487.99
VAT input tax to be deducted	48,051,339.79	40,242,307.31
Income received from sale of shares		65,968,094.08
Total	49,899,317.36	107,535,889.38

10. 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	42,782,600.00	24,660,000.00
Measured by cost	67,442,600.00	42,782,600.00	24,660,000.00	67,442,600.00	42,782,600.00	24,660,000.00
Total	67,442,600.00	42,782,600.00	24,660,000.00	67,442,600.00	42,782,600.00	24,660,000.00

(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-beginning	Increase	Decrease	Period-end	Period-beginning	Increase	Decrease	Period-end		
Zibo Chengshun Heating Co., Ltd. (hereinafter refer to as "Chengshun Heating")	160,000.00			160,000.00					2.00%	
Yantai Rongchang Pharmacy Co., Ltd. (hereinafter refer to as "Rongchang Pharmacy")	55,282,600.00			55,282,600.00	42,782,600.00			42,782,600.00	3.88%	
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	--	

11. Long-term Accounts Receivable

(1) List of Long-term Accounts Receivable

Unit: RMB

Item	Closing balance			Opening balance			Interval of discount rate
	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value	
Finance lease	2,310,000.00		2,310,000.00	2,310,000.00		2,310,000.00	10.54%
Of which: unrealized financing income				55,436.96		55,436.96	
Total	2,310,000.00		2,310,000.00	2,310,000.00		2,310,000.00	--

12. Investment Property

(1) Investment Property Adopting the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	35,848,151.08			35,848,151.08
2. Increased amount of the period	91,262.13			91,262.13
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction	91,262.13			91,262.13
(3) Increased from enterprise merger				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	35,939,413.21			35,939,413.21
II. Accumulative depreciation and				

accumulative amortization				
1. Opening balance	10,004,060.52			10,004,060.52
2. Increased amount of the period	714,998.48			714,998.48
(1) Withdrawal or amortization	714,998.48			714,998.48
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	10,719,059.00			10,719,059.00
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance				
IV. Book value				
1. Closing book value	25,220,354.21			25,220,354.21
2. Opening book value	25,844,090.56			25,844,090.56

13. Fixed Assets

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and other	Total
I. Original book value					
1. Opening balance	3,003,765,886.38	5,901,931,150.93	69,362,411.17	108,153,150.25	9,083,212,598.73
2. Increased amount of the Period	2,373,588.52	115,762,739.77	2,408,181.24	6,718,012.55	127,262,522.08

(1) Purchase	913,672.01	85,667,565.24	2,408,181.24	4,753,512.55	93,742,931.04
(2) Transfer of project under construction	1,459,916.51	30,095,174.53		1,964,500.00	33,519,591.04
(3) Enterprise combination increase					
3. Decreased amount of the Period	46,380,318.04	31,808,133.13	577,321.80	1,976,866.80	80,742,639.77
(1) Disposal or Scrap	46,289,055.91	31,808,133.13	577,321.80	1,976,866.80	80,651,377.64
(2) Transfer of investment property	91,262.13				91,262.13
4. Closing balance	2,959,759,156.86	5,985,885,757.57	71,193,270.61	112,894,296.00	9,129,732,481.04
II. Accumulative depreciation					
1. Opening balance	816,572,289.59	2,870,139,352.08	50,409,954.25	74,216,267.84	3,811,337,863.76
2. Increased amount of the Period	54,353,717.52	141,758,652.24	2,273,874.27	4,370,957.01	202,757,201.04
(1) Withdrawal	54,353,717.52	141,758,652.24	2,273,874.27	4,370,957.01	202,757,201.04
3. Decreased amount of the Period	16,460,453.18	23,350,146.28	518,127.11	1,834,677.28	42,163,403.85
(1) Disposal or Scrap	16,460,453.18	23,350,146.28	518,127.11	1,834,677.28	42,163,403.85
4. Closing balance	854,465,553.93	2,988,547,858.04	52,165,701.41	76,752,547.57	3,971,931,660.95
III. Depreciation reserves					
1. Opening balance	4,830,670.26	22,596,691.34	27,269.67	84,643.90	27,539,275.17
2. Increased amount of the Period					
(1) Withdrawal					
3. Decreased amount of the Period		912,982.09		1,279.65	914,261.74
(1) Disposal or Scrap		912,982.09		1,279.65	914,261.74
4. Closing balance	4,830,670.26	21,683,709.25	27,269.67	83,364.25	26,625,013.43
IV. Book value					
1. Closing book value	2,100,462,932.67	2,975,654,190.28	19,000,299.53	36,058,384.18	5,131,175,806.66
2. Opening book value	2,182,362,926.53	3,009,195,107.51	18,925,187.25	33,852,238.51	5,244,335,459.80

(2) Fixed Assets Leased out from Operation Lease

Unit: RMB

Item	Closing book value
Houses and buildings	18,882,879.27

(3) Fixed Assets without Certificate of Property Right

Unit: RMB

Item	Book value	Reason
Weaving and yarn dying workshop	107,224,860.17	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of eastern area of industrial park	44,696,228.30	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Spinning Fourth factory workshop	95,437,292.22	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Dormitory building of north yard in western area	127,965,044.55	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Sample testing factory in western area	32,036,456.74	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Lufeng weaving dye workshop	132,979,806.76	Ongoing inspection, surveying, verification to application procedures by Housing authorities

Other notes

14. 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
Reform project of Xinsheng Thermal Power				13,387,636.75		13,387,636.75
Expending project of Xinsheng Thermal Power	115,328,166.90		115,328,166.90	72,155,299.06		72,155,299.06
Energy conservation project of Helijie				9,607,705.02		9,607,705.02
Lu Thai (Vietnam) project	44,971,099.85		44,971,099.85	26,114,552.04		26,114,552.04

Lu Thai Garment project	4,441,805.24		4,441,805.24	3,966,433.79		3,966,433.79
Project of 100 thousand spindle spinning production line construction in Xinjiang	25,675,058.78		25,675,058.78	0.00		0.00
Reform of weaving complex workshop in eastern area of Lu Thai	31,302,498.94		31,302,498.94	0.00		0.00
Other small projects	44,268,804.89		44,268,804.89	29,436,732.30		29,436,732.30
Total	265,987,434.60		265,987,434.60	154,668,358.96		154,668,358.96

(2) Changes of Significant Construction in Progress

Unit: RMB

Name o f item	Estimated number	Opening balance	Increase	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
Reform project of Xinsheng Thermal Power	19,320,000.00	13,387,636.75	5,933,321.09	19,320,957.84	0.00		100.00%	100.00%				Others
Expending project of Xinsheng Thermal Power	240,000,000.00	72,155,299.06	43,172,867.84		0.00	115,328,166.90	48.65%	48.65%				Others
Energy conservation project of Helijie	9,000,000.00	9,607,705.02		9,607,705.02	0.00		100.00%	100.00%				Others
Lu Thai (Vietnam)	242,280,000.00	26,114,552.04	18,856,547.81		0.00	44,971,099.85	98.00%	98.00%				Others

project												
Lu Thai Garment project	93,040,000.00	3,966,433.79	475,371.45		0.00	4,441,805.24	86.00%	86.00 %				Others
Project of 100 thousand spindle spinning production line construction in Xinjiang	69,000,000.00	0.00	25,675,058.78		0.00	25,675,058.78	37.00%	37.00 %				Others
Reform of weaving complex workshop in eastern area of Lu Thai	36,000,000.00	0.00	31,302,498.94		0.00	31,302,498.94	3.00%	3.00%				Others
Other small projects	0.00	29,436,732.30	19,423,000.77	4,590,928.18	0.00	44,268,804.89	0.00%	0.00%				Others
							0.00%	0.00%				Others
Total	708,640,000.00	154,668,358.96	144,838,666.68	33,519,591.04	0.00	265,987,434.60	--	--				

15. Engineering Material

Unit: RMB

Item	Closing balance	Opening balance
Specific materials		6,491.45
Specific equipment	108,821,916.14	117,113,972.05
Total	108,821,916.14	117,120,463.50

16. Productive Biological Assets

(1) Productive Biological Assets Adopting Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Planting industry	Livestock	Forestry	Aquaculture	Total
		Hu sheep			
I. Original book value					
1. Opening balance		1,805,109.43			1,805,109.43
2. Increased amount of the Period		387,919.74			387,919.74
(1) Outsourcing		260,950.00			260,950.00
(2) Self cultivate		126,969.74			126,969.74
3. Decreased amount of the Period		369,400.00			369,400.00
(1) Disposal		342,300.00			342,300.00
(2) Other		27,100.00			27,100.00
4. Closing balance		1,823,629.17			1,823,629.17
II. Accumulative depreciation					
1. Opening balance		423,816.68			423,816.68
2. Increased amount of the Period		168,002.23			168,002.23
(1) Withdrawal		168,002.23			168,002.23
3. Decreased amount of the period		163,523.50			163,523.50
(1) Disposal		151,287.50			151,287.50
(2) Other		12,236.00			12,236.00
4. Closing balance		428,295.41			428,295.41
III. Depreciation reserves					
1. Opening balance					
2. Increased amount of the Period					
(1) Withdrawal					
3. Decreased					

amount of the Period					
(1) Disposal					
(2) Other					
4. Closing balance					
IV. Book value					
1. Closing book value		1,395,333.76			1,395,333.76
2. Opening book value		1,381,292.75			1,381,292.75

(2) Productive Biological Assets Adopting Fair Value Measurement Mode

□ Applicable √ Not applicable

17. 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	479,972,935.82	1,985,176.47	480,000.00	482,438,112.29
2. Increased amount of the Period	101,137,893.00		3,319,129.85	104,457,022.85
(1) Purchase	101,137,893.00		3,319,129.85	104,457,022.85
(2) Internal R&D				
(3) Enterprise combination increase				
3. Decreased amount of the Period				
(1) Disposal				
4. Closing balance	581,110,828.82	1,985,176.47	3,799,129.85	586,895,135.14
II. Accumulated amortization				
1. Opening balance	96,720,842.54	1,224,192.36	240,000.00	98,185,034.90
2. Increased amount of the Period	7,312,282.76	99,258.84	489,897.53	7,901,439.13
(1) Withdrawal	7,312,282.76	99,258.84	489,897.53	7,901,439.13
3. Decreased amount of the				

Period				
(1) Disposal				
4. Closing balance	104,033,125.30	1,323,451.20	729,897.53	106,086,474.03
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	477,077,703.52	661,725.27	3,069,232.32	480,808,661.11
2. Opening book value	383,252,093.28	760,984.11	240,000.00	384,253,077.39

The proportion of the intangible assets formed from the internal R&D through the Company among the balance of the intangible assets at the period-end is 000%.

(2) Details of Land Use Right without Certificate of Property Right

Notes: The subsidiary of the Company Xinjiang Lu Thai Fengshou Cotton Industry Co., Ltd. obtained short-term bank loans of RMB60,000,000.00 leaving the land use right as a pledge. The closing book value of the land use right was RMB19,383,978.30. Please refer to No. 23 and 57 in Note VII.

18. R&D Expenses

Item	Opening balance	Current increased amount			Current decreased amount			Closing balance
		Internal R&D expenses	Others		Recognized as intangible assets	Transferred in current gains and losses		
Product research		158,802,502.01				158,802,502.01		
Total		158,802,502.01				158,802,502.01		

19. Goodwill

(1) Original Book Value of Goodwill

Unit: RMB

Name of the invested unit or event generating 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

(2) Impairment Provision of Goodwill

Unit: RMB

Name of the invested unit or event generating goodwill	Opening balance	Increase	Decrease	Closing balance

Notes to the recognition methods of the goodwill impairment test process, parameters and goodwill impairment losses:

For details about the test method of impairment provision of goodwill, please refer to No. 18 Long-term Assets Impairment in Note V.

20. Long-term Unamortized Expenses

Unit: RMB

Item	Opening balance	Increased amount	Amortization amount	Decreased amount	Closing balance
Land contracting fee of Xinjiang Lu Thai	26,793,269.36		523,890.18		26,269,379.18
Land rent of overseas subsidiaries	86,894,972.90		1,295,062.18		85,599,910.72
House rent of overseas subsidiaries	539,122.28		364,002.67		175,119.61
Total	114,227,364.54		2,182,955.03		112,044,409.51

21. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets Not 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	120,631,354.79	19,131,583.71	140,348,122.97	22,081,838.10
Unrealized internal sales gain and loss	77,535,442.48	11,630,316.38	81,198,211.62	9,319,462.09
One-time expenses	2,901,238.68	725,309.67	2,901,238.68	725,309.67
Payroll payable	110,698,173.59	17,032,239.77	110,698,173.59	17,032,239.77
Deferred income	107,270,615.59	17,475,336.88	94,231,052.79	14,024,943.00
Total	419,036,825.13	65,994,786.41	429,376,799.65	63,183,792.63

(2) Deferred Income Tax Liabilities Not Off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Depreciation of fixed assets	13,766,815.52	2,271,524.56	14,188,423.45	2,341,089.87
Total	13,766,815.52	2,271,524.56	14,188,423.45	2,341,089.87

(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-beginning	Amount of deferred income tax assets or liabilities after off-set at the period-beginning
Deferred income tax assets		65,994,786.41		63,183,792.63
Deferred income tax liabilities		2,271,524.56		2,341,089.87

(4) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	22,570,600.46	17,124,084.90
Deductible losses	33,409,997.13	28,727,921.83
Total	55,980,597.59	45,852,006.73

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

Unit: RMB

Years	Closing balance	Opening balance	Notes
Y2017	649,483.64	649,483.64	
Y2018	125,946.78	125,946.78	
Y2019	1,456,659.23	1,456,659.23	
Y2020	24,488,754.73	22,245,128.73	
Y2021	4,250,703.45	4,250,703.45	
Y2022	2,438,449.30		
Total	33,409,997.13	28,727,921.83	--

22. Other Non-current Assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayment for equipment	33,293,973.22	5,853,067.38
Prepayment for land	11,966,401.00	25,406,401.00
Total	45,260,374.22	31,259,468.38

23. Short-term Loans

(1) Category of Short-term Loans

Unit: RMB

Item	Closing balance	Opening balance
Mortgage loan	260,000,000.00	310,000,000.00
Guaranteed loan	85,114,426.40	33,987,976.00
Credit loan	825,232,064.72	529,273,880.02
Total	1,170,346,491.12	873,261,856.02

Notes of short-term loans category:

For details about the category and amount of mortgaged assets of mortgage loan, please refer to No.8, 17, 57 in Note VII.

24. Notes Payable

Unit: RMB

Category	Closing balance	Opening balance
Trade acceptance	3,088,525.00	
Total	3,088,525.00	

The total amount of the overdue notes payable at the period-end was of RMB000.

25. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Closing balance	Opening balance
Purchase of goods	147,551,490.02	149,708,800.67
Engineering equipments	76,434,512.38	82,922,798.32
Others	15,772,418.76	19,906,964.07
Total	239,758,421.16	252,538,563.06

26. Advance from Customers

(1) List of Advance from Customers

Unit: RMB

Item	Closing balance	Opening balance
Advance from goods	91,701,520.84	89,451,314.62
Total	91,701,520.84	89,451,314.62

27. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	315,538,148.10	785,802,892.14	872,802,817.74	228,538,222.50

II. Post-employment benefit-defined contribution plans	80,301.81	50,283,664.02	50,214,928.67	149,037.16
III. Termination benefits		198,658.00	198,658.00	
Total	315,618,449.91	836,285,214.16	923,216,404.41	228,687,259.66

(2) List of Short-term Salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	273,033,283.13	720,041,301.08	811,386,671.40	181,687,912.81
2. Employee welfare		23,274,265.39	23,274,265.39	
3. Social insurance	42,846.03	24,393,051.63	24,383,717.34	52,180.32
Of which: Medical insurance premiums	35,918.60	18,811,992.04	18,803,096.45	44,814.19
Work-related injury insurance	6,110.95	3,000,829.51	3,000,630.63	6,309.83
Maternity insurance	816.48	2,580,230.08	2,579,990.26	1,056.30
4. Housing fund	667.07	5,311,987.18	5,311,313.25	1,341.00
5. Labor union budget and employee education budget	42,461,351.87	12,782,286.86	8,446,850.36	46,796,788.37
Total	315,538,148.10	785,802,892.14	872,802,817.74	228,538,222.50

(3) List of Drawing Scheme

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits	73,723.82	48,524,843.08	48,453,237.38	145,329.52
2. Unemployment insurance	6,577.99	1,758,820.94	1,761,691.29	3,707.64
Total	80,301.81	50,283,664.02	50,214,928.67	149,037.16

Other notes:

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with 26% and 1.0% 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.

28. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	1,779,432.09	8,584,752.76
Corporate income tax	39,889,293.24	45,985,549.11
Personal income tax	3,369,785.88	1,376,971.80
Urban maintenance and construction tax	3,094,106.55	6,314,742.98
Stamp duty	372,118.60	468,060.60
Property tax	4,569,322.79	4,484,688.82
Land use tax	4,487,172.05	4,428,494.17
Education surcharge	1,340,790.20	2,798,858.01
Local education surcharge	893,860.12	1,865,905.35
Local water conservancy facility construction fund	223,395.23	906,683.07
Total	60,019,276.75	77,214,706.67

29. Interest Payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	1,399,311.51	1,165,730.47
Total	1,399,311.51	1,165,730.47

30. 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

31. Other Accounts Payable

(1) Other Accounts Payable Listed by Nature of the Account

Unit: RMB

Item	Closing balance	Opening balance
The deposit and guarantee	18,946,782.97	18,768,467.36

Collecting payment on behalf of others	14,859,732.29	22,870,555.86
Intercourse funds	3,063,108.92	2,641,922.16
Others	25,517,265.69	25,084,695.77
Total	62,386,889.87	69,365,641.15

(2) Other Significant Accounts Payable 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 sales contract
Total	11,925,000.00	--

32. Non-current Liabilities Due within 1 Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	137,564,884.44	
Total	137,564,884.44	

33. 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

34. Long-term Payroll Payable

(1) Long-term Payroll Payable Chart

Unit: RMB

Item	Closing balance	Opening balance
III. Other long term welfare	97,673,785.15	79,122,422.89
Total	97,673,785.15	79,122,422.89

35. Deferred Revenue

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government subsidies	95,935,052.83	22,963,045.28	1,318,146.85	117,579,951.26	Government subsidies
Unrealized financing incomes	55,436.96		55,436.96		Finance lease
Total	95,990,489.79	22,963,045.28	1,373,583.81	117,579,951.26	--

Item involving government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount recorded into non-operating income in report period	Other changes	Closing balance	Related to assets/related income
Land	60,658,927.21		739,078.92		59,919,848.29	Related to the assets
Equipment	34,452,125.58	22,963,045.28	555,067.93		56,860,102.93	Related to the assets
Production biological assets	824,000.04		24,000.00		800,000.04	Related to the assets
Total	95,935,052.83	22,963,045.28	1,318,146.85		117,579,951.26	--

36. Other Non-current Liabilities

Unit: RMB

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

37. Share Capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		New shares issued	Bonus shares	Capitalized Capital reserves	Others	Subtotal	
The sum of shares	922,602,311.00						922,602,311.00

38. Capital Surplus

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	694,461,338.34			694,461,338.34
Other capital reserves	58,979,219.49	43,463.99		59,022,683.48
Total	753,440,557.83	43,463.99		753,484,021.82

39. Other Comprehensive Income

Unit: RMB

Item	Opening balance	Reporting Period					Closing balance
		Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	
II. Other comprehensive reclassified into profits or losses	53,293,544.89	-14,785,091.90			-14,785,091.90		38,508,452.99
Converted difference of the foreign currency financial statement	53,293,544.89	-14,785,091.90			-14,785,091.90		38,508,452.99
Total	53,293,544.89	-14,785,091.90			-14,785,091.90		38,508,452.99

40. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	885,420,210.46			885,420,210.46
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	888,761,783.04			888,761,783.04

Other note, including changes and reason of change:

The Company drew the statutory surplus reserves by 10% of net profits in accordance with the regulations of law and articles of company.

41. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Opening balance of retained profits before adjustments	4,319,887,532.43	4,053,079,857.70
Opening balance of retained profits after adjustments	4,319,887,532.43	4,053,079,857.70
Add: Net profit attributable to owners of the Company	393,069,981.55	805,446,326.99
Less: Withdrawal of statutory surplus reserves		73,113,278.76
Dividend of common stock payable	461,301,155.50	465,525,373.50
Closing retained profits	4,251,656,358.48	4,319,887,532.43

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.

42. Revenues and Operating Costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	2,877,354,475.90	1,967,681,708.63	2,751,457,469.09	1,883,823,007.20
Other operations	113,105,220.53	82,257,506.00	79,869,303.94	53,576,583.88
Total	2,990,459,696.43	2,049,939,214.63	2,831,326,773.03	1,937,399,591.08

43. Tax and Surcharges

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	16,393,442.71	12,773,141.80
Education Surcharge	7,180,677.97	5,766,081.36
Property tax	9,865,797.76	
Land use tax	9,262,257.89	

Vehicles and vessels use tax	71,177.18	
Stamp duty	1,968,220.89	
Local education surcharge	4,787,118.66	3,844,052.89
Local water conservancy facility construction fund	1,969,458.67	1,823,463.31
Business tax		593,989.16
Total	51,498,151.73	24,800,728.52

Other notes:

Note: The calculation and payment standard of each tax and surcharge can be looked up in Note VI. Tax.

44. Sale Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	18,231,453.63	29,504,903.71
Transport fees	19,456,296.25	15,982,535.64
Advertising expense	8,178,116.43	6,756,908.41
Mall costs		9,533,886.96
Terminal Handing charges	5,798,672.52	3,220,637.85
Depreciation charge	2,631,285.73	3,183,927.54
Business travel charges	2,401,690.68	2,370,210.27
Rental charges	687,727.39	1,275,879.18
Others	10,980,269.59	16,880,773.94
Total	68,365,512.22	88,709,663.50

45. Administration Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
R&D expenses	158,802,502.01	161,055,249.75
Salary	50,178,864.06	52,531,501.43
Taxes		22,890,567.34
Depreciation charge	11,378,471.54	12,457,685.52
Warehouse funding	14,931,054.00	11,335,036.99
Business travel charges	12,066,196.48	8,272,682.65

Rental charges	6,524,734.12	7,465,489.25
Labor-union expenditure	7,312,516.87	7,485,349.25
Employee education budget	5,469,769.99	5,414,286.48
Amortization of intangible assets	5,452,967.89	5,132,925.98
Transport fees	3,489,273.36	3,391,774.21
Others	36,863,961.62	44,339,406.31
Total	312,470,311.94	341,771,955.16

46. Financial Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses	14,418,152.20	8,741,653.03
Less: Interest income	2,642,590.05	3,040,662.29
Less: Amount of capitalized interest		
Exchange gains and losses	15,375,073.21	10,815,487.46
Less: capitalization of foreign currency exchange gains and losses		
Others	3,544,665.18	3,294,264.48
Total	30,695,300.54	19,810,742.68

48. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	-1,260,393.94	-3,203,674.28
II. Inventory falling price loss	2,246,368.58	642,332.01
Total	985,974.64	-2,561,342.27

48. Gains and Losses from Changes in Fair Value

Unit: RMB

Sources of changes in fair value gains	Reporting period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses	1,110,700.00	-6,013,605.60
Financial liabilities measured by fair value and the changes included in the current gains and losses		36,960,175.00

Total	1,110,700.00	30,946,569.40

49. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
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	1,385,535.34	-33,641,221.22
Investment income received from holding of available-for-sale financial assets	439,800.00	
Total	1,825,335.34	-33,641,221.22

Other notes:

50. Other Income

Unit: RMB

Sources of other income	Reporting period	Same period of last year
2016 power industrial city 30 policies support fund (special fund for business management Zicaiqizhi[2016] No. 205)	3,036,000.00	
Special fund for development of service sector (Chuancaiqizhi[2017] No. 16, No. 17)	70,500.00	
Subsidy for Elite Program of Zibo (Zizhengbanzi[2016] No. 159)	500,000.00	
Receiving subsidy from the academician workstation (Cheque No: 14916508)	200,000.00	
Progress of Science and Technology Award	50,000.00	
Reward fund for enterprises with an advantage in patent creation in 2016 (Zizhizi[2017] No. 22)	30,000.00	
Fund for energy-saving	30,000.00	
Fund for supporting talents	300,000.00	
Funding for Municipal Key Talents Introduce Project	50,000.00	
Export credit insurance premiums	135,200.00	
Subsidy for Las Vegas Show	56,000.00	
Government subsidy for brand construction	740,200.00	
Government subsidy for service trade	20,000.00	
Progress of Science and Technology Award in of Zibo in 2016	50,000.00	
Counterpart funding for post doctorates	50,000.00	
Special subsidy liquidation fund for textile and garment in 2016	3,871,234.20	

Deferred income amortization	1,391,503.09	
Total	10,580,637.29	

51. Non-operating Gains

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	79,814.73	228,313.30	79,814.73
Including: Gains from disposal of fixed assets	79,814.73	228,313.30	79,814.73
Government subsidies	130,000.00	14,112,224.13	130,000.00
Others	4,234,943.25	6,852,899.89	4,234,943.25
Total	4,444,757.98	21,193,437.32	4,444,757.98

Government subsidies recorded into current profits and losses

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Acquisition of Leader Quality Award (Zi Enterprise [2016]45)	Finance Bureau of Zibo	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	30,000.00		Related to the income
Government subsidies to projects invested by the Company	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	100,000.00		Related to the income
Funds for	Finance	Subsidy	Due to engaged in	Yes	No		600,000.00	Related to the

development of center foreign trade and economic cooperation	Bureau of Zibo		special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)					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		200,000.00	Related to the income
Foreign economy trade cooperation (foreign investment)-Vietnam subsidy	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		208,000.00	Related to the income
Foreign economy trade cooperation (foreign investment)-Cambodia subsidy	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		208,000.00	Related to the income
Foreign economy trade cooperation (foreign investment)-Buma subsidy	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		180,400.00	Related to the income
Equipment import discount interest funds	Finance Bureau of Zibo	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained	Yes	No		52,000.00	Related to the income

			subsidy (obtaining in line with the law and the regulations of national policy)					
Subsidies of unemployment dynamic monitoring	Career Company of Zichuan District	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		1,200.00	Related to the income
"Top 50 Enterprises" management consulting subsidy-performance excellence project	Economic and Information Commission of Zibo, Finance Bureau of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		500,000.00	Related to the income
"Top 50 Enterprises" management consulting subsidy-TPS Toyota producing method consulting project	Economic and Information Commission of Zibo, Finance Bureau of Zibo	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
Special fund for E-commerce	Economic and Information Commission of Zibo, Finance Bureau of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		100,000.00	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		73,500.00	Related to the income

Energy saving award capital	People's Government Office of Shandong Province	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		1,000,000.00	Related to the income
Science and technology innovation 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
Progress of science and technology award	People's Government of Zibo City	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		50,000.00	Related to the income
Energy saving reform award	Bureau of Housing and Urban of Zichuan District, Zibo	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		171,850.00	Related to the income
Special fund for energy saving reform	Finance Bureau of Zichuan District	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		1,000,000.00	Related to the income
Pollution source video monitoring subsidy	Environmental monitor station of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		21,800.00	Related to the income
Science and technology innovation fund	Department of Finance of Shandong	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		12,000.00	Related to the income
Export award liquidation fund	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

Special 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		67,700.00	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		22,700.00	Related to the income
Patent award	Science and technology bureau of Zichuan District	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		92,600.00	Related to the income
Award for Science and Technology	Science and technology bureau of Zibo	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		50,000.00	Related to the income
Patent award	Finance Bureau of Zibo	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		200,000.00	Related to the income
Pollution source video monitoring subsidy	Environmental monitor station of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		10,900.00	Related to the income
Electricity Finance subsidies	Akesu Prefecture Bureau of Finance	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
Enterprise paying VAT subsidy	Akesu Prefecture Bureau of Finance	Subsidy	Subsidy gained due to confirming with local government attracting investment and local	Yes	No		7,000,000.00	Related to the income

			supportive policy etc.					
Spinning reform project fund	Finance Bureau of Awati	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		100,000.00	Related to the income
Home of staff of textile and garment enterprise creating subsidy funds	Finance Bureau of Awati	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		70,000.00	Related to the income
Returning farmland to forest subsidy	Forestry Bureau of Awati	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		39,600.00	Related to the income
Pollution source video monitoring subsidy	Environmental monitor station of Zibo	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		21,800.00	Related to the income
Special 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		15,200.00	Related to the income
Purchase of equipment subsidy	Finance Bureau of Gaoqing	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No		178,000.00	Related to the income
Deferred revenue amortization							448,874.23	Related to the assets
Deferred revenue amortization							339,555.90	Related to the assets

Deferred revenue amortization							19,453.02	Related to the assets
Deferred revenue amortization							426,499.98	Related to the assets
Total	--	--	--	--	--	130,000.00	14,112,224.13	--

52. Non-operating Expenses

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	2,052,051.87	5,412,125.25	2,052,051.87
Including: Loss on disposal of fixed assets	2,052,051.87	5,412,125.25	2,052,051.87
Donation	3,010,000.00	806,408.43	3,010,000.00
Others	857,770.73	1,500,106.22	857,770.73
Total	5,919,822.60	7,718,639.90	5,919,822.60

53. Income Tax Expense

(1) Lists of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	81,529,968.73	78,609,388.16
Deferred income tax expense	-2,880,559.09	10,909,106.36
Total	78,649,409.64	89,518,494.52

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

Unit: RMB

Item	Reporting Period
Total profits	488,546,838.74
Current income tax expense accounted by tax and relevant regulations	73,282,025.81
Influence of different tax rate suitable to subsidiary	8,532,510.60

Influence of income tax before adjustment	622,569.86
Influence of non taxable income	-5,144,651.52
Influence of not deductable costs, expenses and losses	306,588.79
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	-27,520.76
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	1,077,886.86
Income tax expense	78,649,409.64

54. Other Comprehensive Income

Refer to Note VII. 39.

55. Information of Cash Flow Statement

(1) Other Cash Received Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Government subsidies	32,282,179.48	13,779,541.00
Claim income	1,325,325.55	1,598,909.74
Penalty income	73,452.28	85,482.93
Recovery of employee borrowings, petty cash and deposit	293,762.05	4,649,690.95
Money collected for others	278,441.53	943,338.62
Others	16,529,262.62	14,082,485.48
Total	50,782,423.51	35,139,448.72

(2) Other Cash Paid Relevant to Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Freight and miscellaneous charges	29,710,088.63	26,496,789.77
Rental charges and management expenses of the shops		8,711,587.87
Rental charges	12,119,156.17	13,176,835.37
Advertising expense	2,594,594.92	3,244,875.81
Business travel charges	16,599,609.73	11,682,937.78

Premium	3,339,363.25	3,564,970.67
Copyright royalty		891,154.41
Audit advisory announcement fee	2,896,671.62	3,479,711.34
Decoration & repair expenses	4,151,211.04	3,919,826.15
Donation	4,226,982.21	806,408.43
Money paid for others	24,679,803.50	
Others	43,316,273.84	42,628,506.60
Total	143,633,754.91	118,603,604.20

(3) Other Cash Received Relevant to Investment Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Interest income	2,642,590.05	3,693,737.37
Income from forward foreign exchange	1,385,535.34	
Sales of securities	66,007,480.86	2,158,904.65
Investment income from holding of trading financial assets		
Collection of option premium		
Total	70,035,606.25	5,852,642.02

(4) Other Cash Paid Relevant to Investment Activity

Unit: RMB

Item	Reporting Period	Same period of last year
Purchase of securities		3,038,322.29
Losses from forward foreign exchange		34,587,575.00
Total		37,625,897.29

(5) Other Cash Received Relevant to Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Received pledged margin	8,000,000.00	29,805,722.42
Total	8,000,000.00	29,805,722.42

(6) Other Cash Paid Relevant to Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Payment for the B-share buy-back amount		203,465,414.43
Total		203,465,414.43

56. Supplemental Information for Cash Flow Statement

(1) Supplemental Information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	409,897,429.10	342,657,085.44
Add: Provision for impairment of assets	985,974.64	-2,561,342.27
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	203,640,201.75	176,763,336.08
Amortization of intangible assets	7,901,439.13	6,062,971.96
Long-term unamortized expenses	2,182,955.03	1,183,338.36
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	1,972,237.14	5,183,811.95
Losses on retirement of fixed assets (gains: negative)		0.00
Losses from variation of fair value (gains: negative)	-1,110,700.00	-30,946,569.40
Financial cost (gains: negative)	27,150,635.36	16,516,478.20
Investment loss (gains: negative)	-1,825,335.34	33,641,221.22
Decrease in deferred income tax assets (gains: negative)	-2,810,993.78	10,953,337.12
Increase in deferred income tax liabilities (“-” means decrease)	-69,565.31	44,230.76
Decrease in inventory (gains: negative)	-222,947,772.98	-31,187,606.68
Decrease in accounts receivable from operating activities (gains: negative)	35,013,507.82	167,746,613.50
Increase in payables from operating activities (decrease: negative)	-117,060,254.26	-132,649,558.81
Net cash flows generated from operating activities	342,919,758.30	563,407,347.43
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--

3. Net increase in cash and cash equivalents:	--	--
Closing balance of cash	600,999,181.24	578,165,942.35
Less: Opening balance of cash	654,779,220.82	765,695,473.65
Net increase in cash and cash equivalents	-53,780,039.58	-187,529,531.30

(2) Cash and Cash Equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	600,999,181.24	654,779,220.82
Including: Cash on hand	4,155,209.28	3,216,250.69
Bank deposit on demand	596,843,971.96	651,562,970.13
III. Closing balance of cash and cash equivalents	600,999,181.24	654,779,220.82

57. Assets with Restricted Ownership and Right to Use

Unit: RMB

Item	Closing book value	Restricted reason
Monetary capital	261,212.93	Security deposit of L/G
Inventory	62,445,521.72	Pledge for short-term loan
Intangible assets	19,383,978.30	Pledge for short-term loan
Total	82,090,712.95	--

58. 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	63,288,149.59	6.7744	428,732,067.57
EUR	88,291.40	7.7496	684,223.03
HKD	19,975,142.11	0.8679	17,336,686.96
JPY	4,619,865.00	0.0605	279,501.84
THB	68,990.19	0.1996	13,770.44
SGD	91.90	4.9135	451.55
GBP	4,020.86	8.8144	35,441.47

AUD	2,821.03	5.2099	14,697.28
CHF	87.90	7.0888	623.10
SEK	920.00	0.801	736.92
KHR	48,435,150.00	0.001667	80,638.73
DONG	12,870,971,632.00	0.000298	3,835,549.54
TWD	30,100.00	0.2228	6,706.28
Notes receivable:			
Including: USD	12,176,890.53	6.7744	82,491,127.24
Including: USD	21,530,381.45	6.7744	145,855,416.09
HKD	2,456,217.94	0.8679	2,131,751.55
DONG	133,655,025.00	0.000298	39,834.25
Other accounts receivable:			
Including: USD	68,993.14	6.7744	467,387.13
EUR	20,000.00	7.7496	154,992.00
DONG	840,180,457.00	0.000298	250,405.56
HKD	5,000.00	0.867900	4,339.50
JPY	200,000.00	0.060500	12,100.00
CHF	25.00	7.088800	220.36
Accounts payable:			
Including: USD	575,848.77	6.7744	3,901,029.93
JPY	123,482,650.00	0.0605	7,473,784.26
EUR	243,289.47	7.7496	1,884,326.05
CHF	79,852.00	7.0888	565,628.87
DONG	19,865,729,714.99	0.000298	5,920,739.08
Other accounts payable:			
Including: USD	71,527.77	6.7744	484,557.73
HKD	391,076.97	0.8679	339,415.70
DONG	234,100,879.00	0.000298	69,770.92
Short-term loans:			
Including: USD	130,711,018.86	6.7744	885,488,726.14
EUR	2,959,230.19	7.7496	22,929,314.47
JPY	22,577,085.00	0.0605	1,366,489.89
Non-current liabilities due within one year			

Including: USD	9,473,424.94	6.7744	64,171,769.91
EUR	5,650,732.80	7.7496	43,748,753.84
JPY	489,906,155.00	0.0605	29,644,360.69

(2) Note to Oversea Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis, Shall be disclosed; if there Are Changes into Recording Currency, the Reason Shall Also Be Disclosed.

√ 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 Garment Co., Ltd. were Hong Kong, Cambodia, Burma, America, Vietnam and Vietnam, and the recording currency respectively was HKD, USD, USD, USD, Dong and Dong.

VIII. Equity in Other Entities

1. Equity in Subsidiary

(1) The Structure of the Enterprise Group

Name	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
Lu Thai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Lu Thai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Xinjiang Lu Thai	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 Lu Thai 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	America	Wholesale and retail industry	100.00%		Set-up
Lu Thai(Vietnam)	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up
Lu An Garment	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up

(2) Significant Not Wholly Owned Subsidiary

Unit: RMB

Name	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 Lu Thai	40.08%	3,501,815.94	12,023,566.38	183,048,336.98
Lufeng Weaving & Dyeing	25.00%	13,655,231.25		337,532,947.04

(3) The Main Financial Information of Significant Not Wholly Owned Subsidiary

Unit: RMB

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Xinjiang Lu Thai	345,388,449.94	451,738,335.13	797,126,785.07	336,339,700.90	5,072,430.50	341,412,131.40	528,219,890.20	350,642,671.38	878,862,561.58	402,356,617.55	5,428,018.92	407,784,636.47
Lufeng Weaving &	688,907,142.51	827,105,483.21	1,516,012,625.72	124,302,743.86	29,371,588.00	153,674,331.86	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

Dyeing												

Unit: RMB

Name	Reporting period				The same period of last year			
	Operation revenue	Net profit	Total consolidated income	Cash flow from operating activities	Operation revenue	Net profit	Total consolidated income	Cash flow from operating activities
Xinjiang Lu Thai	259,171,106.59	14,636,728.56	14,636,728.56	79,439,238.74	196,855,106.60	3,446,636.04	3,446,636.04	133,025,707.88
Lufeng Weaving & Dyeing	791,134,076.11	66,827,430.66	66,827,430.66	69,665,169.07	716,210,253.15	35,147,675.14	35,147,675.14	12,610,567.38

Other notes:

(4) Significant Restrictions of Using Enterprise Group Assets and Paying Off Enterprise Group Debt

(5) Provide Financial Support or Other Support for Structure Entities Incorporate into the Scope of Consolidated Financial Statements

Other notes:

IX. 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 “Note 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.

(I) Risk Management Objectives and Policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors. Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market Risk

(1) Foreign Exchange Risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate.

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The Company's foreign exchange risk was mainly related to USD, HKD and EUR, excepting the Company's several subsidiaries purchase and sale, in USD, HKD and Dong, the other main business settled by RMB. On June 30, 2017, in addition to the following assets or liabilities in statement was USD, HKD, EUR and GONG, 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 balance	Opening balance
Cash and cash equivalents	451,021,094.71	295,220,057.63
Notes receivable	82,491,127.24	71,898,206.01
Account receivable	148,027,001.89	201,635,005.83
Other accounts receivable	889,444.55	5,624,249.98
Other current assets	-	65,968,094.08
Accounts payable	19,745,508.19	47,263,170.03
Other accounts payable	893,744.35	4,286,466.39
Short-term loans	909,784,530.50	563,261,856.02
Long-term borrowings		135,678,044.89
Non-current liabilities due within one year	137,564,884.44	

(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 Note VII 23 and 33).

Sensitive analysis of interest rate risk:

Influence of interest increasing 100 BP to current profits and losses and equity of shareholders before tax was followed:

Change	Reporting Period		Same period of last year	
	Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Increase 100 BP	-8,376,485.24	-7,702,361.91	-4,750,027.46	-4,261,794.18
Decrease 100 BP	8,376,485.24	7,702,361.91	4,750,027.46	4,261,794.18

2 Credit Risk,

On June 30, 2017, 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 managing liquidity risk, the Company maintained the management's believe that supervising the sufficient cash and cash equivalents to meet the operating demand of the Company and reduce the influence of the fluctuation of cash flow. The management of the Company supervises the usage situation of the bank loan and ensures the loan agreement.

In the end of Reporting Period, the Company held cash and bank deposit of RMB601 million. In recent two years, the average of net cash flow of operation activities was RMB1.169 billion. The Company believed that the liquidity risk was insignificant.

X. The Disclosure of the Fair Value

1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Unit: RMB

Item	Fair value at the end of the Reporting Period			
	First level Fair value measurement	Second level Fair value measurement	Third level Fair value measurement	Total
I. Continuous fair value measurement	--	--	--	--
(I) Financial assets calculated by fair value and changes record into current profits or losses	1,110,700.00			
1. Trading financial assets	1,110,700.00			
(3) Derivative financial assets	1,110,700.00			
II. Discontinuous fair value measurement	--	--	--	--

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The fair value at level 1 of financial assets shall be determined in accordance with the bank quotation of forward foreign exchange on June 30, 2017.

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 (%)
Lucheng Textile	Zibo	Textile, chemistry,	RMB63,260,000	15.21%	15.21%

		investment, etc.			

Notes: Information on the parent company

The final controllers of the Company are Liu Zibin and Liu Deming.

2. Subsidiaries of the Company

For details, please refer to Note VIII. 1. Equity in Subsidiaries.

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
Zibo Chengshun Heating Co., Ltd. (hereinafter refer to as “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
Shangdong Chengshun Petroleum and Chemical Co., Ltd. (hereinafter referred to as “Chengshun Petroleum”)	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: RMB

Related-party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Lucheng Textile	Towel, sock, oil product, supermarket retailing, electronics, computer supplies, odd processing, etc.	6,635,174.84	7,900,000.00	No	6,060,935.00
Taimei Ties	Processing charges	641,693.32		No	563,319.65

Limin Purified Water	Treatment of recycled water and sewage	11,460,424.24	13,640,000.00	No	8,920,188.77
Chengshun Petrolum	Natural gas	8,940,846.94	10,640,000.00	No	
Lurui Fine Chemical	Additive	44,827,622.22	53,300,000.00	No	39,845,988.16

Information of sales of goods and provision of labor service

Unit: RMB

Related-party	Content	Reporting Period	Same period of last year
Lucheng Textile	Sales of materials, electricity, running water, steam and LED lamp	161,866.40	148,646.03
Lucheng Textile	Sales of greige yarn, dyed yarn, fabric	372,527.18	511,769.75
Taimei Ties	Sales of electricity, heating charges	12,289.62	11,929.11
Stanluian Company	Sales of materials, electricity, LED lamp, running water and heating charges	29,595.68	24,655.83
Limin Purified Water	Sales of materials, garment, and LED lamp	1,365.29	1,625.19
Lurui Fine Chemical	Sales of garments, equipment, LED lamp, fabric, additive and lunch components	105,936.42	124,544.74
Chengshun Heating	Sale of materials, low temperature hot water, heating power, electricity, tap water, washing charges for pipelines and garment	4,136,861.67	3,376,447.92
Lujia Property	Sales of materials and recycled water	44,777.40	22,832.10

(2) Information of Related Lease

The Company serves as the lessor:

Unit: RMB

Name of leasee	Type of leased assets	Rental income confirmed in the Report period	Rental income confirmed in the same period of last year
Lucheng Textile	Houses and buildings	15,428.58	192,101.59
Lurui Fine Chemical	Houses and buildings	4,091.82	681.97

The Company serves as the leasee:

Unit: RMB

Name of lessor	Type of leased assets	Rental expense confirmed in the report period	Rental expense confirmed in the same period of last year
Lucheng Textile	Rent of land	1,807,428.60	2,276,285.72

Lucheng Textile	Rent of gas station	250,857.12	259,219.04
Lucheng Textile	Rent of land and buildings	5,302,857.18	5,455,409.54
Luqun Property	Rent of land and buildings	697,142.82	720,380.94
Lucheng Textile	Rent of houses	331,999.98	343,066.66

(3) Borrowing and Lending of Related Parties

Unit: RMB

Related party	Amount	Start date	Maturity date	notes
Borrowing				
Limin Purified Water	7,000,000.00	01/24/2017	03/10/2017	
Stanluian Company	1,300,000.00	01/24/2017	03/10/2017	
Luqun Property	9,000,000.00	01/24/2017	03/14/2017	
Taimei Ties	2,700,000.00	01/24/2017	03/10/2017	
Lending				

5. Receivables and Payables of Related Parties

(1) Payables

Unit: RMB

Name o f item	Related-party	Closing book balance	Opening book balance
Accounts payable:			
	Lurui Fine Chemical	637,294.91	790,533.58

XII. Commitments and Contingencies

1. Significant Commitments

Significant commitments at balance sheet date

Capital Commitment Unit: RMB’0,000

Item	Closing balance	Opening balance
Commitments signed but hasn’t been recognized in financial statements		
-- Commitment for constructing and purchasing long-term assets	16,928.02	20,581.71
Total	16,928.02	20,581.71

2. Contingencies

(1) Significant Contingencies at Balance Sheet Date

As of June 30, 2017, there were no contingencies to be disclosed.

(2) If the Company Has No Significant Contingency to Disclose, Relevant Explanations Should Also Be Given

The company has no significant contingency to disclose.

XIII. 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 significant single amount for which bad debt provision separately accrued	102,458,768.26	23.94%	102,458,768.26	100.00%		102,459,665.95	24.68%	102,459,665.95	100.00%	0.00
Accounts receivable withdrawal of bad debt provision of by credit risk characteristics	325,586,807.64	76.06%	16,300,961.44	5.01%	309,285,846.20	312,659,373.66	75.32%	15,633,263.33	5.00%	297,026,110.33
Total	428,045,575.90	100.00%	118,759,729.70	27.74%	309,285,846.20	415,119,039.61	100.00%	118,092,929.28	28.45%	297,026,110.33

Accounts receivable with single significant amount and withdrawal bad debt provision separately at end of period

√ Applicable □ Not applicable

Unit: RMB

Accounts receivable	Closing balance

(classified by units)	Accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Beijing Innovative	102,458,768.26	102,458,768.26	100.00%	The net asset of the subsidiary Beijing Innovative was minus for loss.
Total	102,458,768.26	102,458,768.26	--	--

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

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	325,154,386.49	16,257,719.32	5.00%
Subtotal within 1 year	325,154,386.49	16,257,719.32	5.00%
1 to 2 years	432,421.15	43,242.12	10.00%
Total	325,586,807.64	16,300,961.44	5.01%

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

□ Applicable √ Not applicable

(2) Accounts Receivable Withdrawn, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB666,800.42; the amount of the reversed or collected part during the Reporting Period was of RMB000.

(3) Accounts Receivable of the Top 5 of the Closing Balance Classified by Debtors

The total amount of top five of account receivable of closing balance collected by arrears party was RMB160,374,601.77, 37.47% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB105,354,559.93.

2. Other Accounts Receivable

(1) Other 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	

Other accounts receivable with significant single amount for which bad debt provision separately accrued	328,814,853.45	94.82%			328,814,853.45	317,675,160.04	92.64%			317,675,160.04
Other accounts receivable withdrawn bad debt provision according to credit risk characteristics	17,962,681.62	5.18%	2,041,255.29	11.36%	15,921,426.33	25,228,972.17	7.36%	2,445,924.01	9.69%	22,783,048.16
Other accounts receivable with significant single amount for which bad debt provision separately accrued	346,777,535.07	100.00%	2,041,255.29	0.59%	344,736,279.78	342,904,132.21	100.00%	2,445,924.01	0.71%	340,458,208.20

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period：

√ Applicable □ Not applicable

Unit: RMB

Other accounts receivable (classified by units)	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Lu Thai (Vietnam)	226,956,104.14			Separate test without impairment
Lu An Garments	101,858,749.31			Separate test without impairment
Total	328,814,853.45		--	--

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			
	12,973,584.18	648,679.20	5.00%
Subtotal within 1 year	12,973,584.18	648,679.20	5.00%
1 to 2 years	329,057.03	32,905.70	10.00%
2 to 3 years	383,417.35	76,683.47	20.00%

Over 3 years	4,276,623.06	1,282,986.92	30.00%
Total	17,962,681.62	2,041,255.29	11.36%

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) The Bad-debt Provision Withdrawn, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB-404,668.72; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

(3) Other Accounts Receivable Classified by Account Nature

Unit: RMB

Nature of accounts	Closing book balance	Opening book balance
Intercourse funds	329,061,130.18	317,675,160.04
Export rebates		7,802,287.09
Payment on behalf	11,454,984.16	13,285,751.37
The cash pledge and guarantee	3,653,395.01	442,488.00
Borrowings and deposit	1,338,748.79	1,013,029.29
Others	1,269,276.93	2,685,416.42
Total	346,777,535.07	342,904,132.21

(4) The Other Accounts Receivable of the Top 5 of the Closing Balance Classified by Debtors

Unit: RMB

Name of unit	Nature of accounts	Closing balance	Account-age at the end of the period	Proportion to the total of closing balance of other accounts receivable	Closing balance of bad-debt provision
Lu Thai (Vietnam)	Intercourse funds	226,956,104.14	Within 1 year	65.45%	
Lu An Garment	Intercourse funds	101,858,749.31	Within 1 year	29.37%	
Accounts receivable of advance money for the social security undertake by the individual of	Advance money for the social security undertake by the individual of the	6,814,952.38	Within 1 year	1.97%	340,747.62

the employee	employee				
House payment of Yanyang Community in Huangjiapu	House payment	1,891,517.79	Within 3 years	0.55%	567,455.34
Deposits for wages paid to migrant workers of Zichuan District, Zibo city	Deposits for wages paid to migrant workers of infrastructure works	1,458,593.50	Within 3 years	0.42%	437,578.05
Total	--	338,979,917.12	--	97.75%	1,345,781.01

3. Long-term Equity Investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to the subsidiary	1,744,156,616.04	25,200,000.00	1,718,956,616.04	1,736,221,866.04	25,200,000.00	1,711,021,866.04
Total	1,744,156,616.04	25,200,000.00	1,718,956,616.04	1,736,221,866.04	25,200,000.00	1,711,021,866.04

(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 Lu Thai	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		
Lu Thai (Hong Kong)	128,771,800.00			128,771,800.00		
Lufeng Sunshine	0.00			0.00		
Shanghai Lu Thai	20,000,000.00			20,000,000.00		
Lu Thai(Cambodia)	108,242,335.38			108,242,335.38		
Lu Thai(America)	6,774,300.00	3,434,750.00		10,209,050.00		

Lu Thai(Burma)	62,337,238.57			62,337,238.57		
Beijing Youxian	9,000,000.00	4,500,000.00		13,500,000.00		
Lu Thai(Vietnam)	318,034,810.00			318,034,810.00		
Lu An Garment	32,813,060.00			32,813,060.00		
Total	1,736,221,866.04	7,934,750.00		1,744,156,616.04		25,200,000.00

4. Revenues and Operating Costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	2,368,342,984.34	1,674,625,537.10	2,225,300,186.31	1,571,303,646.81
Other operations	113,980,604.46	92,055,486.97	143,361,682.06	123,338,335.99
Total	2,482,323,588.80	1,766,681,024.07	2,368,661,868.37	1,694,641,982.80

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	17,976,433.62	37,003,529.30
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	1,281,963.99	-26,628,900.00
Total	19,258,397.61	10,374,629.30

XIV. 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 assets	-1,972,237.14	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	10,710,637.29	
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	2,496,235.34	

Other non-operating income and expenses other than the above	367,172.52	
Less: Income tax effects	1,643,262.69	
Minority interests effects	1,969,722.22	
Total	7,988,823.10	--

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 Net Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS（Yuan/share）	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	5.58%	0.43	0.43
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	5.46%	0.42	0.42

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 assets	
	Reporting Period	Same period of last year	Closing balance	Opening balance
Chinese accounting standards	393,069,981.55	344,641,184.73	6,855,012,927.33	6,937,985,729.19
Items and amounts adjusted in accordance with international accounting standards:				
Impact on domestic equipments tax credit recognized as deferred income under international accounting standards	164,500.00	362,500.00	-164,500.00	-329,000.00
International accounting standards	393,234,481.55	345,003,684.73	6,854,848,427.33	6,937,656,729.19

(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 XI Documents Available for Reference

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

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

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

Board Chairman's signature: Liu Zibin

Lu Thai Textile Co., Ltd.

August 30, 2017