



LU THAI TEXTILE CO., LTD.

INTERIM REPORT 2019

August 2019

Part I Important Notes, Table of Contents and Definitions

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

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

All the directors of the Company except for the following attended in person the Board meeting for the review of this Report and its summary.

Name	Office title	Reason for not attending the meeting in person	Proxy entrusted to attend the meeting
Fujiwara Hidetoshi	Director	For reason of other work	Qin Guiling

The Company has described in detail in this Report the possible risks facing it. Please refer to the section headed “Risks Facing the Company and Countermeasures” of “Part IV Operating Performance Discussion and Analysis” of this Report.

The Company has no interim dividend plan, either in the form of cash or stock.

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

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Definitions

Term	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	The Supervisory Committee of Lu Thai Textile Co., Ltd.
CSRC	The China Securities Regulatory Commission
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in tens of thousands of Renminbi
The “Company Law”	The “Company Law of the People’s Republic of China”
The “Securities Law”	The “Securities Law of the People’s Republic of China”
The “Reporting Period” or “Current Period”	The period from 1 January 2019 to 30 June 2019

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	LTTC, LTTC-B	Stock code	000726, 200726
Changed stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	鲁泰纺织股份有限公司		
Abbr. (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	Zhang Keming	Zheng Weiyin and Li Kun
Address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China
Tel.	0533-5277008	0533-5285166
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Email address	zhangkeming@lttc.com.cn	wyzheng@lttc.com.cn, likun@lttc.com.cn

III Other Information

1. Contact Information of the Company

Indicate by tick mark whether any change occurred to the registered address, office address and their zip codes, website address and email address of the Company in the Reporting Period.

Applicable Not applicable

No change occurred to the said information in the Reporting Period, which can be found in the 2018 Annual Report.

2. Media for Information Disclosure and Place where this Report is Lodged

Indicate by tick mark whether any change occurred to the information disclosure media and the place for lodging the Company's periodic reports in the Reporting Period.

Applicable Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing the Company's periodic reports and the place for lodging such reports did not change in the Reporting Period. The said information can be found in the 2018 Annual Report.

IV Key Financial Information

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

Yes No

Accounting policy changes resulted in the retrospective restatements in the following table.

	H1 2019	H1 2018		Change (%)
		Before	Restated	Restated
Operating revenue (RMB)	3,185,448,344.01	3,281,014,155.43	3,280,407,775.82	-2.89%
Net profit attributable to the listed company's shareholders (RMB)	411,446,216.59	377,355,959.02	377,355,959.02	9.03%
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	376,816,535.93	366,948,339.88	366,432,917.21	2.83%
Net cash generated from/used in operating activities (RMB)	119,717,062.57	697,784,710.77	697,784,710.77	-82.84%
Basic earnings per share (RMB/share)	0.48	0.41	0.41	17.07%
Diluted earnings per share (RMB/share)	0.48	0.41	0.41	17.07%
Weighted average return on equity (%)	5.70%	5.13%	5.13%	0.57%
	30 June 2019	31 December 2018		Change (%)
		Before	Restated	Restated
Total assets (RMB)	11,202,182,466.95	10,537,759,811.84	10,537,759,811.84	6.31%
Equity attributable to the listed company's shareholders (RMB)	7,135,598,465.75	7,146,548,467.86	7,146,548,467.86	-0.15%

Reason for change in accounting policy and correction of accounting error:

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

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No such differences for the Reporting Period.

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

Applicable Not applicable

No such differences for the Reporting Period.

XI Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	H1 2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	459,688.66	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per the government's uniform standards)	32,226,225.91	
Gain or loss on fair-value changes in trading and derivative financial assets and liabilities & income from disposal of trading and derivative financial assets and liabilities and investments in other debt obligations (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	10,663,111.47	
Non-operating income and expense other than the above	890,331.64	
Less: Income tax effects	6,167,989.87	
Non-controlling interests effects (net of tax)	3,441,687.15	
Total	34,629,680.66	--

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

Items:

Applicable Not applicable

No such cases for the Reporting Period.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

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

No.

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

Lu Thai has always adhered to its mission of “creating wealth, contributing to the society, clothing the world and weaving our way to every corner of the globe”, as well as to its values of “people foremost policy, rigorous scientific attitude, client oriented principle and integrity for win-win outcome” for a long time. It is devoted to improving and expanding its industrial chain, making it a renowned textile and garment business group combing cotton growing, spinning, bleaching and dyeing, neatening, testing, garment making and marketing. Lu Thai produces and sells middle and high-grade yarn-dyed fabric and dyeing fabric for shirts and garment. It continues to renew its service philosophy, explore emerging markets and increase the added value of its products. With natural fabric as its flagship, multi-component functional fiber fabric as its spearhead and wash-and-wear non-ironing technology as its core competency, the Company kept a watchful eye on the latest consumption trend. Great attention was paid to improve its healthy product series so as to satisfy the needs from the diversified and personalized market. Lu Thai has become the world's largest high-grade yarn dyed fabric producer and a world-class premium shirt provider. It had paved its development pattern featured in going green, low-carbon growth, science and technology and humanism. Its operation performance was always among the top comparing to its peers. 70% of Lu Thai's products are exported to over 30 countries and regions including America, the EU and Japan, of which more than 70% is under the Company's own brand. So far, the Company has taken up around 18% of the world market of yarn dyed fabric for medium- and high-end shirts.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Major assets	Main reason for significant changes
Construction in progress	The amount as at 30 June 2019 was RMB460,389,887.15, up 36.52% from the beginning amount, primarily driven by increased construction and equipment investments for Lu Thai Vietnam's second phase project.

2. Major Assets Overseas

Applicable Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's net asset value	Material impairment risk (yes/no)
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Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	175,089,652.92	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	4,111,793.66	2.27%	No
Lu Thai (America) Textile Co., Ltd.	Incorporated	13,077,851.06	New York	Marketing	Main management personnel sent by the Company as the parent	385,980.37	0.17%	No
Lu Thai (Cambodia) Textile Co., Ltd.	Incorporated	173,891,030.13	Svay Rieng	Manufacturing	Main management personnel sent by the Company as the parent	12,707,516.44	2.25%	No
Lu Thai (Burma) Textile Co., Ltd.	Incorporated	77,251,276.43	Rangoon	Manufacturing	Main management personnel sent by the Company as the parent	6,435,142.22	1.00%	No
Lu Thai (Vietnam) Textile Co., Ltd.	Incorporated	1,922,677,555.71	Tay Ninh	Manufacturing	Main management personnel sent by the Company as the parent	36,981,264.37	24.89%	No
Lu An Garments Co., Ltd.	Incorporated	168,749,794.48	Anjiang, Vietnam	Manufacturing	Main management personnel sent by the Company as the parent	765,750.18	2.18%	No

III Core Competitiveness Analysis

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

No.

The comprehensive management ability, research and development ability, technological accumulation and global planning of the

Company's whole industry chain are the Company's core competitiveness, which did not change during the Reporting Period.

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

Part IV Operating Performance Discussion and Analysis

I Overview

For the Reporting Period, the Company recorded operating revenue of RMB3,185 million, an operating profit of RMB495 million, a net profit attributable to the listed company's shareholders of RMB411 million and a net profit before exceptional gains and losses of RMB377 million, down 2.89% and up 9.33%, 9.03% and 2.83% respectively from the same period of last year. No changes have occurred to the principal activities, the main profit sources and structure of the Company in this period.

During the Reporting Period, the Company continued to steadily promote "Improving Quality and Efficiency" and "Comprehensive Internationalization", maintaining the sound, stable and sustained development trend; made steady progress in its overseas expansion programme and basically achieved the design expectation; and enhanced market survey for further communication with customers and improved the "manufacturing + design" service ability, which accelerated market extension efficiency. The Company deepened its relationship with customers through proactive measures such as adjustment of product structure, integration of supply chains, design and development connection, brand cooperation and e-commerce platforms and facing new characteristics and new demands of the market, kept improving product design concept and innovating service mode to meet market demand and keep up with the development trends. During the Reporting Period, the Company was honored as "Top 100 Garment Makers 2018" by the China National Garment Association, "Top 100 Private Enterprises with the Highest Brand Value of Shandong Province" and "High-End Brand Builders in the Manufacturing Sector of Shandong Province" by the Shandong Council for Brand Development.

During the Reporting Period, the Company continued to persist in R&D investments, making new achievements in the application of new materials, research of new fabrics, key technologies of new product development and research of equipment upgrading by means of organizing science and technology lectures as well as cooperating with prominent domestic colleges. Two key R&D projects included in China's 13th Five-Year Plan, which are conducted by the Company, have passed the interim examination. As of the end of the Reporting Period, the Company had 379 granted patents and 3 software copyrights; as well as had hosted or participated in the formulation of 50 national and industrial standards.

During the Reporting Period, the design work of products targeting western and female consumers, etc. was completed for the autumn and winter of 2020, which consist of 71 series under eight themes. The relevant promotion activities, samples and specific design are underway together with the business department.

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

II Core Business Analysis

Overview:

For the Reporting Period, the Company recorded operating revenue of RMB3,185 million (a 2.89% year-on-year decrease); cost of sales of RMB2,211 million (a 6.35% year-on-year decrease), including selling expense of RMB78 million (a 16.28% year-on-year rise) and administrative expense of RMB191 million (a 17.11% year-on-year increase); research and development expense of RMB162 million (a 0.4% year-on-year drop); and net cash generated from operating activities of RMB120 million (an 82.84% year-on-year drop).

Year-on-year changes in key financial data:

Unit: RMB

	H1 2019	H1 2018	Change (%)	Main reason for change
Operating revenue	3,185,448,344.01	3,280,407,775.82	-2.89%	
Cost of sales	2,210,886,955.53	2,360,836,431.41	-6.35%	
Selling expense	77,836,942.94	66,941,088.56	16.28%	
Administrative expense	191,205,597.74	163,274,510.70	17.11%	
Finance costs	52,554,570.05	30,525,225.31	72.17%	Increase in interest expense
Income tax expense	74,839,232.29	63,275,514.57	18.28%	
R&D expense	161,939,039.23	162,596,245.80	-0.40%	
Net cash generated from/used in operating activities	119,717,062.57	697,784,710.77	-82.84%	(1) Increase in cash payments for commodities and services (mostly raw materials); and (2) decrease in cash proceeds from sale of commodities
Net cash generated from/used in investing activities	-346,327,704.43	-423,627,352.67	18.25%	
Net cash generated from/used in financing activities	315,262,989.36	-285,883,409.46	210.28%	Increase in the net amount of borrowings obtained
Net increase in cash and cash equivalents	88,423,644.38	-5,067,323.02	1,844.98%	A year-on-year increase of RMB678 million in net cash generated from financing and investing activities and a year-on-year decrease of RMB578 million in net cash generated from operating activities

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

 Applicable Not applicable

No such changes in the Reporting Period.

Breakdown of core businesses:

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Textile and apparel	2,934,448,827.78	2,007,858,829.06	31.58%	0.46%	-2.46%	2.05%
Cotton	6,856,226.38	6,153,947.34	10.24%	-93.22%	-93.45%	3.15%
Electricity and	99,820,071.53	100,489,871.91	-0.67%	-1.91%	1.77%	-3.63%

steam						
Other	26,265,030.04	23,804,349.14	9.37%	-29.08%	-33.09%	5.43%
By product category						
Fabric products	2,334,195,650.45	1,586,586,777.72	32.03%	0.61%	-2.05%	1.85%
Shirts	600,253,177.33	421,272,051.34	29.82%	-0.14%	-3.98%	2.81%
Cotton	6,856,226.38	6,153,947.34	10.24%	-93.22%	-93.45%	3.15%
Electricity and steam	99,820,071.53	100,489,871.91	-0.67%	-1.91%	1.77%	-3.63%
Other	26,265,030.04	23,804,349.14	9.37%	-29.08%	-33.09%	5.43%
By operating segment						
Hong Kong	193,620,677.72	131,911,865.18	31.87%	4.90%	1.98%	1.95%
Japan And South Korea	227,171,179.04	157,054,077.28	30.87%	7.17%	3.58%	2.39%
Southeast Asia	853,969,711.97	580,900,368.79	31.98%	12.31%	9.34%	1.85%
Europe and America	579,841,115.57	400,144,091.29	30.99%	0.38%	-3.03%	2.43%
Other	267,533,852.91	182,903,368.26	31.63%	-16.55%	-18.83%	1.92%
Mainland China	945,253,618.52	685,393,226.65	27.49%	-14.53%	-18.07%	3.14%

III Analysis of Non-Core Businesses

√ Applicable □ Not applicable

Unit: RMB

	Amount	As % of profit before tax	Source/Reason	Exceptional or recurrent
Investment income	10,417,475.41	2.10%	Gains on equity investment, dividends from financial products, forward exchange settlement and gains on delivery of options	No
Gain/loss on changes in fair value	5,282,600.00	1.07%	Losses generated from the variation of fair value of forward exchange settlement delivered in the Reporting Period due to reversal, etc.	No
Asset impairments	-1,543,199.38	-0.31%	Inventory falling price provision	No
Non-operating income	3,097,024.44	0.62%	Income of non-operating compensation, etc	No
Non-operating expense	2,214,356.54	0.45%	Non-operating compensation, etc.	No

IV Analysis of Assets and Liabilities

1. Material Changes in Asset Composition

Unit: RMB

	30 June 2019		30 June 2018		Change in percentage (%)	Reason for any material change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary capital	623,926,353.74	5.57%	671,721,970.36	6.56%	-0.99%	
Accounts receivable	381,453,061.31	3.41%	356,818,963.69	3.49%	-0.08%	
Inventories	2,338,090,631.11	20.87%	2,017,424,627.73	19.71%	1.16%	
Investment property	38,718,468.86	0.35%	23,856,705.69	0.23%	0.12%	
Long-term equity investments	100,637,911.44	0.90%	95,806,134.43	0.94%	-0.04%	
Fixed assets	5,729,951,131.93	51.15%	5,359,308,862.06	52.37%	-1.22%	
Construction in progress	460,389,887.15	4.11%	365,054,086.88	3.57%	0.54%	
Short-term borrowings	2,137,653,250.29	19.08%	1,458,058,962.33	14.25%	4.83%	
Long-term borrowings		0.00%	69,431,359.47	0.68%	-0.68%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Ending amount
Financial assets							
1. Trading financial assets (exclusive of derivative financial assets)	91,630,515.95	405,000.00				29,871,000.00	62,164,515.95

Subtotal of financial assets	91,630,515.95	405,000.00				29,871,000.00	62,164,515.95
Total of the above	91,630,515.95	405,000.00				29,871,000.00	62,164,515.95
Financial liabilities	4,877,600.00	4,877,600.00					0.00

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

Yes No

3. Restricted Asset Rights as at the Period-End

For details, see Part X. VII. 60. Assets with restricted ownership and using right in this Report.

V Investments Made

1. Total Investments Made

Applicable Not applicable

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

Applicable Not applicable

Unit: RMB'0,000

Operator	Relationship with the	Related-party transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if	Ending investments	Proportion of ending investments	Actual gain/losses in the Reporting

	Company	tion								any)	t amo unt	ent amount in the Compan y's ending net assets	ng Period
Commercial bank	Non-related	No	Forward exchange settlement	66,365.49	19 June 2018	30 May 2019	6,512.05	59,853.44	66,365.49		0	0.00%	249.83
Commercial bank	Non-related	No	Foreign exchange option	3,922.86	23 March 2018	28 March 2019	1,909.89	2,012.97	3,922.86		0	0.00%	-140.28
Commercial bank	Non-related	No	Forward exchange transactions	3,049.7	28 September 2018	31 May 2019	1,610.11	1,439.59	3,049.7		0	0.00%	50.05
Total				73,338.05	--	--	10,032.05	63,306	73,338.05		0	0.00%	159.6
Capital source for derivative investment				The Company's own money									
Lawsuit (if applicable)				Naught									
Disclosure date of board of directors announcement on approval of derivative investment (if any)				27 April 2018									
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,				The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws									

<p>liquidity risk, credit risk, operation risk, law risk, etc.)</p>	<p>and regulation.</p> <p>1. Market risk: when the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivatives transactions of the Company. Precautionary measures to be taken include: the Company chooses risk-controlled financial derivative tools with simple structure and good liquidity to carry out the hedging business, strictly controls the scale of financial derivatives trading by staged operations, and adjusts the strategy according to market changes in a timely manner.</p> <p>2. Liquidity risk and credit risk: a credit risk arising from failure of the contractually due Company or counterparty in performing the contract due to liquidity or factors other than liquidity. Precautionary measures to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty.</p> <p>3. Operation risk:</p> <p>The derivatives had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum.</p> <p>4. Risk of laws and regulation:</p> <p>The Company conducted derivatives products transaction in strict accordance with relevant laws and rules. If there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. Risk control measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction, formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products transaction business. The Company conducted derivative transaction business according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Transaction of Lu Thai Textile Co., Ltd., and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions approved at the 17th Meeting of the 8th Board of Directors on 25 April 2018, and performed relevant information disclosure responsibilities.</p>
<p>Changes of market prices or fair values in the Reporting</p>	<p>1. As of 30 June 2019, the Company has completed the delivery of all financial derivatives without any agreement on financial derivatives.</p>

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.	2. January-June in 2019: the amount of all due financial derivatives of the Company converted into USD is US\$108,683,700 which were executed in accordance with agreements with revenues of RMB1,596,000, among which, gains of RMB2,498,300 was from the delivery of forward foreign exchange settlement of US\$98.2 million; losses of RMB1,402,800 was from the delivery of foreign exchange options of US\$6 million and gains of RMB500,500 was from the delivery of forward exchange transactions of US\$4,483,700.
Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the Reporting Period compared to the previous Reporting Period	No significant changes
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors Zhou Zhiji, Bi Xiuli, Pan Ailing, Wang Xinyu and Qu Dongmei, concerning conducting derivatives business, have issued the following professional advice: We are of the opinion that it will strengthen the Company's competitiveness to use derivative transactions with focus on forward settlement and purchase as an effective tool to avoid foreign exchange risks, to strengthen the relevant internal control and to carry out the loss and risk prevention measures so as to improve the operation and management. In conducting derivative transactions with focus on forward settlement and purchase, the Company follows a legal approval procedure, has sound relevant institutions and keeps the risks relatively controllable. No harm has been done to the interests of the Company's shareholders.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

VII Major Subsidiaries

Applicable Not applicable

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

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit

Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	706,160,000.00	1,633,825,665.95	1,371,329,216.86	805,575,459.05	62,548,982.96	52,877,665.09
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Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Information about major majority- and minority-owned subsidiaries:

Lufeng Weaving & Dyeing Co., Ltd. (hereinafter called “Lufeng Weaving & Dyeing”) is the majority-owned subsidiary of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.160 million. It was authenticated to be high-tech enterprise in October 2014, and authenticated to be high-tech enterprise again for re-evaluation in 2017, mainly manufacturing and selling textile printing and dyeing products and the products of clothing and garments. Its export income accounted for more than 75%. During the Reporting Period, Lufeng Weaving & Dyeing continuously enhanced cost management, promoted R&D and innovation, increased the conversion rate of the scientific production and added value of products. As of 30 June 2019, the operating revenue of RMB805 million and net profit of RMB53 million were achieved by Lufeng Weaving & Dyeing.

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Performance Forecast for January-September 2019

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

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

(1) Impacts generated by the economic environment. At present, the Company is facing the uncertainty of international trade dispute and continuous substantial impact of tariffs. Major economies began to change their monetary policies due to weakening global economic recovery and declining demand growth. What complicates the economic environment is higher domestic liquidity risk and debt defaults of small and medium-sized enterprises. Despite the difficulties, the Company will try to maintain the international market and explore the domestic market to achieve a balanced development of sales business at home and abroad.

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

(3) Exchange rate changes: at present and in the future, the Company will continue to sell its products mainly in the international market for a long period of time, and US dollars will account for a relatively larger portion in sales revenue. In addition, the main machinery and equipment and some of its raw materials of the Company are also imported. The foreign currencies payment for imports includes US dollar and other currencies. Moreover, the commissioning of the Company's overseas production base and

subsequent expansion of investment will increase the use of foreign currencies. Therefore, the Company will still be sensitive to the impact of exchange rate changes.

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

Part V Significant Events

I Annual and Extraordinary General Meeting Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The 1 st Extraordinary General Meeting of 2019	Extraordinary General Meeting	0.00%	12 March 2019	13 March 2019	Announcement of Resolution (No. 2019-012) published on Securities Times, China Securities Journal, Shanghai Securities News, and Hong Kong Ta Kung Pao and http://www.cninfo.co on 13 March 2019
The 2018 Annual General Meeting	Annual General Meeting	0.00%	23 April 2019	24 April 2019	Announcement of Resolution (No. 2019-027) published on Securities Times, China Securities Journal, Shanghai Securities News, and Hong Kong Ta Kung Pao and http://www.cninfo.co on 24 April 2019
The 2 nd Extraordinary General Meeting of 2019	Extraordinary General Meeting	0.00%	10 June 2019	11 June 2019	Announcement of Resolution (No. 2019-047) published on Securities Times, China Securities Journal, Shanghai Securities News, and Hong Kong Ta Kung Pao and http://www.cninfo.co on 10 June 2019

2. Extraordinary General Meeting Convened at Request of Preference Shareholders with Resumed Voting Rights

Applicable Not applicable

II Interim Dividend Plan for the Reporting Period

Applicable Not applicable

The Company has no interim dividend plan.

III Commitments of the Company's Actual Controller, Shareholders, Connected 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 Interim financial report been audited?

Yes No

This Interim Report is unaudited.

V Explanations Given by Board of Directors and Supervisory Committee 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-party Transactions

1. Continuing Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

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

Yes No

Note: please remember to make a choice regarding above question “whether there were any credits and liabilities with related parties for non-operating purposes”.

Liabilities of related parties to account payable

Related party	Relation with the Company	Formation reason	Beginning balance (RMB'0,000)	Amount newly added in current period (RMB'0,000)	Amount returned in current period (RMB'0,000)	Interest rate	Current interest (RMB'0,000)	Ending balance(RMB'0,000)
Zibo Lucheng Textile Investment Co., Ltd	The Company as the parent	Currencies deposit	12,152	900	900	4.35%	250.73	12,152

Zibo Lujia Property Management Co., Ltd	Wholly-owned subsidiary of Lucheng Textile	Currencies deposit	60			4.35%	1.27	60
Zibo Shidanlu Cosmetics Co., Ltd	Joint-stock Company of Lucheng Textile	Currencies deposit	145		145	4.35%	2.69	
Zibo Taimei Ties Co., Ltd	Controlling subsidiary of Lucheng Textile	Currencies deposit	130		130	4.35%	2.42	
Influences from liabilities of parties related on operating results and financial situations of the Company		No						

5. Other Major Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

XIV Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major guarantees

√ Applicable □ Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	10,454.72	20 January 2017	0	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	17,969.05	20 January 2017	14,856.64	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	27 October 2017	33,977.84	25 October 2017	14,562.88	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	7,549.52	20 August 2018	3,306.11	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	2,745.28	20 August 2018	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	10,312.05	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	4,124.82	27 March 2019	0	Joint-liability	Two years since the approval of the board of the	No	Yes

						Company		
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	20,624.1	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	20,624.1	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	5,499.76	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	4,124.82	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Xinjiang Lu Thai Good Yield Cotton Co., Ltd.	14 October 2017	15,000	12 October 2017	0	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Total approved line for such guarantees in the Reporting Period (B1)		65,309.65		Total actual amount of such guarantees in the Reporting Period (B2)		18,966.68		
Total approved line for such guarantees at the end of the Reporting Period (B3)		153,006.06		Total actual balance of such guarantees at the end of the Reporting Period (B4)		32,725.63		
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date (date of agreement signing)	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Xinjiang Lu Thai Textile Co., Ltd.		20,000	5 November 2018	19,900	Joint-liability	12 months	No	Yes
Total approved line for such guarantees in the Reporting Period (C1)		0		Total actual amount of such guarantees in the Reporting Period (C2)		19,900		
Total approved line for such guarantees at the end of the		20,000		Total actual balance of such guarantees at the		19,900		

Reporting Period (C3)		end of the Reporting Period (C4)	
Total guarantee amount (total of the three kinds of guarantees above)			
Total guarantee line approved in the Reporting Period (A1+B1+C1)	65,309.65	Total actual guarantee amount in the Reporting Period (A2+B2+C2)	38,866.68
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)	173,006.06	Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)	52,625.63
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets		7.38%	
Of which:			
Balance of guarantees provided for shareholders, actual controller and their related parties (D)		0	
Balance of debt guarantees provided directly or indirectly for obligors with an over 70% debt/asset ratio (E)		0	
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)		0	
Total of the three amounts above (D+E+F)		0	
Explanation on possible bearing joint responsibility of liquidation due to immature guarantee (if any)		According to "Agreement on Counter Guarantee" signed on 12 October 2017 between Lu Thai Company and Xinjiang Lu Thai Company, Xinjiang Lu Thai Company, the warrantee Xinjiang Lu Thai Company provided the corresponding amount of counter guarantee for Lu Thai Company.	
Explanation about external guarantee violating established procedure (if any)		The Company never provided guarantees for companies except controlling subsidiaries.	

Compound guarantees:

None

(2) Irregularities in Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Other Significant Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities

1. Significant Environment Protection

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

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Lu Thai Textile Co., Ltd	COD and ammonia nitrogen	Continuous discharge	2	Huangjiapu Industrial Park; East Zone Industrial Park	COD \leq 150mg/L; ammonia nitrogen \leq 10mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012	COD is 296.82t and ammonia nitrogen is 10.98t	COD is 1495.08t, and ammonia nitrogen is 149.51t	No
Lufeng Weaving & Dyeing Co., Ltd.	COD and ammonia nitrogen	Continuous discharge	1	Lufeng chief discharge outlet	COD \leq 140mg/L; ammonia nitrogen \leq 4mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012	COD is 147.02t and ammonia nitrogen is 3.36t	COD is 575.985t, and ammonia nitrogen is 57.6t	No
Zibo Xinsheng Thermal Power Co., Ltd.	SO ₂ , NQx, and smoke	Continuous discharge	4	Production plant of Xinsheng Thermal Power	SO ₂ : \leq 35mg/m ³ , NQx: \leq 100(50)mg/m ³ and smoke: \leq 10(5)mg/m ³	Ultra-low emission No. 2 modification list LZJBF (2016) No 46 of Emission standard of air pollutants of Thermal Power Plant in Shandong Province	January-June in 2019: SO ₂ is 24.8594t, NQx is 79.31t and smoke is 3.34736t.	SO ₂ is 354.18t/a, NQx is 1011.95t/a and smoke is 101.2t/a.	No
Lu Thai (Vietnam) Textile Co., Ltd.	Sewage	Discharge into the ecological pond in the	1	Beside sewage plant	COD \leq 50mg/L; ammonia nitrogen \leq 2.0mg/L	QCVN40: 2011/BTNMT	Sewage discharge is 632,800t	/	No

		park district after treatment							
Lu Thai (Vietnam) Textile Co., Ltd.	Exhaust gas	Direct discharge after treatment	2	Beside boiler room /		QCVN19: 2009/BTNMT	Gas emission is 111 million m ³	/	No

Construction of pollution prevention equipment and operation condition

Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. strictly implement the "Three Simultaneous" management system for environmental protection in project constructions. The companies are equipped with complete facilities for waste gas and waste water treatment. In 2019, Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. carried out the waste water treatment system transformation project to improve the treated water quality by systematic and comprehensive reform, further improving the river water quality and local ecological environment. The newly added online monitoring devices for PH in 2019 monitor and detect the pollutants discharge index comprehensively. In 2019, the Company makes great efforts to transform exhaust emission so as to reduce the discharge of atmospheric pollutants, including the comprehensive treatment of VOCs discharged and low-nitrogen combustion of NO_x discharged from boilers. Support teams were set up to be responsible for daily operation maintenance and inspection to guarantee the normal operation of facilities. Both the exhaust emission and waste water discharge meet the emission standards.

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

The waste water treatment project of the wholly-owned subsidiary Lu Thai (Vietnam) Textile Co., Ltd. is designed to treat 6,500 tons of sewage water daily, among which, sewage plan I is designed to treat 3,000 tons of sewage water daily, and the sewage plant II is designed to treat 3,500 tons of sewage water daily. The Company adopts a comprehensive treatment process of "pre-materialization + A2O biochemistry + post-materialization + ozone oxidation+ active sand filtration " for waste water treatment, and the treated water quality is better than the QCVN 40:2011/BTNMT A-level emission standards stipulated by the Vietnam government. The treated waste water is all discharged to the ecological pond in the park. Treated water quality analysis for the first half year of 2019: The COD (mean value) was 48.41 mg/L, the chrominance (mean value) was 33.37, the ammonia nitrogen (mean value) was 1.68 mg/L, and the total phosphorus (mean value) was 0.118 mg/L. All the parameters met the A-level emission standards set in the "Regulations on Parameters of Industrial Drainage in Vietnam" (QCVN40:2011/BTNMT). Waste water discharge in the whole year met the standards without violation. The total amount of waste water discharged in the first half year of 2019 was 632,800 tons, among which, the chemical oxygen demand (COD) was 30.63 tons, ammonia nitrogen (NH₃-N) was 1.06 tons and total phosphorus (TP) was 74.80kg. The Company is equipped with multi-pipe and water film dust-separation devices to process the exhaust gas discharged from boilers of the Company. In the first half year of 2019, all the equipment was in normal operation, and the exhaust gas inspection parameters were lower than the QCVN19:2009/BTNMT emission standards set by Vietnam government. In the first half year of 2019, the total amount of sulfur dioxide emissions was 32.52 tons, and the total amount of nitrogen oxides emissions was 35.81 tons.

Project Environmental Impact Assessment and Other Administrative Permission for Environmental Protection

In treatment and comprehensive improvement project of PVA waste water at high concentration of Lu Thai Textile in 2019 (I), the main works have been completed and entered the commissioning phase; The treatment and comprehensive improvement project of PVA waste water at high concentration of Lu Thai Textile (II) has completed the acceptance; The technical transformation of

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

Emergency plan for environmental incidents

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

Environmental self-monitoring program

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

Other environment information that should be disclosed

No

Other related environment protection information

No

2. Measures Taken for Targeted Poverty Alleviation

(1) Plans

The Company assumes social responsibilities by carrying out education support and poverty alleviation. The Company helps needy students to continue their studies and impoverished peasants to maintain their basic livelihood.

(2) Summary of the Related Work Done in the Reporting Period

The Company aids needy students and impoverished peasants financially in the areas where majority-owned subsidiaries locate to enable them to continue their studies and maintain their basic livelihood and help them solve some practical difficulties.

(3) Results

Indicator	Measurement unit	Quantity/Progress
1. General results	—	—
Of which: 1.1 Funds	Ten thousand	17
2. Itemized results	—	—
2.1 Out of poverty by industrial development	—	—
2.2 Out of poverty by transferring employment	—	—
2.3 Out of poverty by relocation	—	—
2.4 Out of poverty by education	—	—
Of which: 2.4.1 Amount for funding poor students	Ten thousand	17
2.4.2 Number of poor students funded	Person	56
2.5 Out of poverty by improving health	—	—
2.6 Out of poverty by protecting ecological environment	—	—
2.7 Subsidy for the poorest	—	—
2.8 Social poverty alleviation	—	—
2.9 Other items	—	—
Of which: 2.9.1 Number of items	a/an	1
2.9.2 Amount of input	Ten thousand	5
3. Accolades received (for what and at what level)	—	—

(4) Subsequent Plans

None

XIX Other Significant Events

Applicable Not applicable

The Company held its 2nd Extraordinary General Meeting of 2018 on 23 March 2018 and passed Bill to Buy Back Some of the B-shares of the Company. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 24 March 2018 (No.: 2018-013); The Company disclosed Report on the Buyback of Some B-shares of the Company on 16 May 2018 and issued Announcement of Lu Thai Textile Co., Ltd. about the Implementation of Buy-back of Shares on 29 May 2018 that the first buyback shares were disclosed for the first time. As of 22 March 2019 when the repurchase period expired the Company repurchased

64,480,770 B shares which have been cancelled at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited completely on 4 April 2019. So far the total shares outstanding of the Company are reduced to 858,121,541 shares. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 23 March 2019 and 9 April 2019 (No.: 2019-013; 2019-023).

XVII. Significant Events of Subsidiaries

Applicable Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease (+/-)					After	
	Number	Percentage (%)	New issues	Bonus shares	Bonus issue from profit	Other	Subtotal	Number	Percentage (%)
1. Restricted shares	119,295,819	12.93%				44,079	44,079	119,339,898	13.91%
1.1 Shares held by the state							0		
1.2 Shares held by state-own Legal-person							0		
1.3 Shares held by other domestic investors	1,063,419	0.12%				44,079	44,079	1,107,498	0.13%
Among which: shares held by domestic legal person							0		
Shares held by domestic natural person	1,063,419	0.12%				44,079	44,079	1,107,498	0.13%
1.4 Oversea shareholdings	118,232,400	12.82%					0	118,232,400	13.78%
Among which: shares held by oversea legal person	118,232,400	12.82%					0	118,232,400	13.78%
Shares held by oversea natural person							0		
2. Unrestricted shares	803,306,492	87.07%				-64,524,849	-64,524,849	738,781,643	86.09%
2.1 RMB ordinary shares	561,105,431	60.82%				-28,279	-28,279	561,077,152	65.38%
2.2 Domestically listed foreign shares	242,201,061	26.25%				-64,496,570	-64,496,570	177,704,491	20.71%
2.3 Oversea listed foreign shares							0		
2.4 Other							0		
3. Total shares	922,602,311	100.00%				-64,480,770	-64,480,770	858,121,541	100.00%

Reasons for the share changes

Applicable Not applicable

1. Some supervisors and senior executives' shares are locked due to changing the term of office, the "restricted shares-shares held by domestic natural person" increase 44,079 shares.

2. 64,480,770 B-shares repurchased by the Company have been cancelled at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited completely on 4 April 2019 and the total shares of the Company reduce 64,480,770 shares.

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

Progress on any share repurchases:

Applicable Not applicable

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

Applicable Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

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

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

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 period-end		55,045		Total number of preference shareholders with resumed voting rights at the period-end (if any) (see Note 8)		0		
5% or greater ordinary shareholders or the top 10 ordinary shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total shares held at the period-end	Increase/decrease during the Reporting Period	Number of restricted shares held	Number of non-restricted shares held	Pledged or frozen shares	
							Status	Number
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned	16.36%	140,353,583	0	0	140,353,583		

	legal person							
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.78%	118,232,400	0	118,232,400	0		
Hong Kong Securities Clearing Co. Ltd	Foreign legal person	3.03%	25,985,611	-8029937	0	25,985,611		
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.37%	20,315,300	0	0	20,315,300		
T.Rowe Price Intl Discovery Fund	Foreign legal person	2.32%	19,948,219	0	0	19,948,219		
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.13%	18,313,391	0	0	18,313,391		
Hong Kong Monetary Authority-self-owned funds	Foreign legal person	2.04%	17,487,884	5852491	0	17,487,884		
National Social Security Fund Portfolio 103	Other	1.34%	11,499,947	-500000	0	11,499,947		
National Social Security Fund Portfolio 413	Other	0.93%	7,980,051	7980051	0	7,980,051		
RBC Emerging Markets Small Cap Equity Fund	Foreign legal person	0.72%	6,181,462	148400	0	6,181,462		
Strategic investors or general corporations becoming top-ten shareholders due to placing of new shares (if any) (see Note 3)								
Related or acting-in-concert parties among the shareholders above								
Shareholdings of the top ten non-restricted ordinary shareholders								

Name of shareholder	Number of non-restricted shares held at the period-end	Type of shares	
		Type	Shares
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB ordinary share	
Hong Kong Securities Clearing Co. Ltd	25,985,611	RMB ordinary share	
Central Huijin Assets Management Co., Ltd.	20,315,300	RMB ordinary share	
T.ROWE PRICE INTL DISCOVERY FUND	19,948,219	Domestically listed foreign share	
China Securities Finance Corporation Limited	18,313,391	RMB ordinary share	
Hong Kong Monetary Authority-self-owned funds	17,487,884	RMB ordinary share	
National Social Security Fund Portfolio 103	11,499,947	RMB ordinary share	
National Social Security Fund Portfolio 413	7,980,051	RMB ordinary share	
RBC EMERGING MARKETS SMALL CAP EQUITY FUND	6,181,462	Domestically listed foreign share	
Basic endowment insurance fund 000801	6,000,356	RMB ordinary share	
Explanation on connected 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 and the actual controller of the Company. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding tradable A-shares or B-shares. And it is unknown whether there is any related party or acting-in-concert party among them.		
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 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Part VII Preferred Shares

Applicable Not applicable

No such cases in the Reporting Period.

Part VIII Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Incumbent/former	Beginning shareholding (share)	Increase in the Current Period (share)	Decrease in the Current Period (share)	Ending shareholding (share)	Number of granted restricted shares at the period-begin (share)	Number of restricted shares granted in the Current Period (share)	Number of granted restricted shares at the period-end (share)
Liu Zibin	Chairman and GM	Incumbent	148,290			148,290			
Xu Zhinan	Vice President	Incumbent							
Fujiwara Hidetoshi	Director	Incumbent							
Chen Ruimou	Director	Incumbent							
Zeng Facheng	Director	Incumbent							
Wang Fangshui	Director, Vice GM, and Chief Engineer	Incumbent	146,753			146,753			
Liu Deming	Director	Incumbent							
Qin Guiling	Director and Secretary of the Board	Incumbent	126,542			126,542			
Zhang Hongmei	Director and Chief Accountant	Incumbent	92,500			92,500			
Zhou Zhiji	Independent director	Incumbent							
Bi Xiuli	Independent Director	Incumbent							
Pan Ailing	Independent Director	Incumbent							
Wang	Independent	Incumbent							

Xinyu	Director	bent							
Qu Dongmei	Independent director	Incumbent							
Zhang Shougang	Supervisory Committee Chairman	Incumbent	73,100			73,100			
Liu Zilong	Supervisor	Incumbent	10,000			10,000			
Dong Shibing	Supervisor	Incumbent	5,000			5,000			
Zhang Jianxiang	Vice GM	Incumbent	52,150			52,150			
Wang Jiabin	Vice GM, Product Manager	Incumbent	83,700			83,700			
Zhang Zhanqi	Vice GM, GM of Lufeng Company	Incumbent	80,300			80,300			
Fujiwara Matsuzaka	Manager of Japan Office	Incumbent							
Zhang Keming	Secretary of the Board and Financial Manager	Incumbent	77,700			77,700			
Li Wenji	CIO	Incumbent	10,000			10,000			
Lyu Yongchen	Vice GM of Lufeng Company	Incumbent	33,750			33,750			
Yu Shouzheng	Energy Business Manager	Incumbent	83,100			83,100			
Wang Changzhao	GM assistant, Fabric Marketing Manager	Incumbent	22,500			22,500			
Shang Chenggan	Manager of Garments Production Department	Incumbent	30,000			30,000			
Du Lixin	GM of Lu Thai (Vietnam)	Incumbent							
Guo Heng	Manager of Business	Incumbent							

	Management								
Zhang Wei	GM assistant and Manager of Strategy Planning Department	Incum bent							
Xu Jianjun	Independent director	Forme r							
Zhao Yao	Independent director	Forme r							
Quan Peng	Manager of Brand Expanding Department	Forme r	27,750		6,900	20,850			
Total	--	--	1,103,135	0	6,900	1,096,235	0	0	0

II Change of Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Xu Jianjun	Independent director	Left	12 March 2019	
Zhao Yao	Independent director	Left for expiration of his term	10 June 2019	Regular change in directors
Zhou Zhiji	Independent director	Elected	12 March 2019	
Qu Dongmei	Independent director	Elected	10 June 2019	Regular change in directors
Quan Peng	Manager of Brand Expanding Department	Left for expiration of his term	10 June 2019	

Part 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

Part X Financial Statements

I Independent Auditor's Report

Are these interim financial statements audited by an independent auditor?

Yes No

They are unaudited by such an auditor.

II Financial Statements

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

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

30 June 2019

Unit: RMB

Item	30 June 2019	31 December 2018
Current assets:		
Monetary capital	623,926,353.74	545,502,709.36
Trading financial assets	31,146,000.00	
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	173,998,375.29	174,657,918.26
Accounts receivable	381,453,061.31	374,607,116.55
Prepayments	327,280,818.43	149,582,616.21
Other receivables	53,404,323.51	63,012,001.10
Including: Interest receivable	972,657.58	
Dividends receivable		
Financial assets purchased under resale agreements		
Inventories	2,338,090,631.11	2,093,366,992.30
Assets classified as held for sale		
Current portion of non-current assets	51,253,405.99	
Other current assets	65,223,036.27	86,366,454.56
Total current assets	4,045,776,005.65	3,487,095,808.34

Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		85,112,000.00
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables	9,670,420.71	10,693,844.75
Long-term equity investments	100,637,911.44	96,018,463.65
Investments in other equity instruments	12,000,000.00	
Other non-current financial assets	31,018,515.95	
Investment property	38,718,468.86	22,880,242.95
Fixed assets	5,729,951,131.93	5,748,562,385.35
Construction in progress	460,389,887.15	337,230,646.42
Intangible assets	478,905,610.17	478,689,064.45
R&D expense		
Goodwill	20,563,803.29	20,613,803.29
Long-term prepaid expense	117,916,664.79	119,126,407.71
Deferred income tax assets	83,350,284.01	88,636,929.06
Other non-current assets	73,283,763.00	43,100,215.87
Total non-current assets	7,156,406,461.30	7,050,664,003.50
Total assets	11,202,182,466.95	10,537,759,811.84
Current liabilities:		
Short-term borrowings	2,137,653,250.29	1,325,273,780.05
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		4,877,600.00
Derivative financial liabilities		
Notes payable	63,954,554.34	502,347.05
Accounts payable	258,962,828.52	353,186,163.90
Advances from customers	96,623,151.61	105,562,378.66
Payroll payable	258,386,596.80	325,998,210.17
Taxes payable	49,456,211.84	43,556,823.75
Other payables	213,970,947.86	215,946,987.68
Including: Interest payable	4,728,481.25	3,068,841.54
Dividends payable	441,113.64	441,113.64
Liabilities directly associated with assets classified as held for sale		

Current portion of non-current liabilities	144,282,763.91	
Other current liabilities		
Total current liabilities	3,223,290,305.17	2,374,904,291.26
Non-current liabilities:		
Long-term borrowings		170,019,083.89
Long-term payables		
Long-term payroll payable	86,420,799.53	96,958,178.53
Provisions		
Deferred income	139,234,253.96	140,183,446.39
Deferred income tax liabilities	27,881,406.51	28,030,096.38
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	255,376,460.00	437,030,805.19
Total liabilities	3,478,666,765.17	2,811,935,096.45
Owners' equity:		
Share capital	858,121,541.00	922,602,311.00
Capital reserves	256,632,428.28	699,493,647.48
Less: Treasury stock		486,922,944.94
Other comprehensive income	72,443,324.62	61,157,013.37
Specific reserve		
Surplus reserves	1,022,717,451.40	1,022,717,451.40
General reserve		
Retained earnings	4,925,683,720.45	4,927,500,989.55
Total equity attributable to owners of the Company as the parent	7,135,598,465.75	7,146,548,467.86
Non-controlling interests	587,917,236.03	579,276,247.53
Total owners' equity	7,723,515,701.78	7,725,824,715.39
Total liabilities and owners' equity	11,202,182,466.95	10,537,759,811.84

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 June 2019	31 December 2018
Current assets:		
Monetary capital	253,467,095.41	191,305,104.80
Trading financial assets	31,146,000.00	

Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes receivable	62,119,619.38	91,555,248.34
Accounts receivable	369,665,176.01	316,225,973.28
Financings backed by accounts receivable		
Prepayments	217,392,254.90	115,020,260.51
Other receivables	555,969,515.96	395,847,213.77
Including: Interest receivable		
Dividends receivable		
Inventories	1,311,906,461.89	1,040,433,078.53
Assets classified as held for sale		
Current portion of non-current assets	51,253,405.99	
Other current assets	7,410,828.74	12,671,631.64
Total current assets	2,860,330,358.28	2,163,058,510.87
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		73,112,000.00
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	2,523,253,227.48	2,165,711,579.69
Investments in other equity instruments		
Other non-current financial assets	31,018,515.95	
Investment property	31,766,770.96	14,804,592.72
Fixed assets	2,663,119,201.22	2,731,726,695.28
Construction in progress	76,310,555.47	61,182,771.86
Intangible assets	237,748,353.76	242,204,032.54
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	46,726,237.53	52,758,961.05
Other non-current assets	30,594,810.94	6,047,443.10
Total non-current assets	5,640,537,673.31	5,347,548,076.24
Total assets	8,500,868,031.59	7,510,606,587.11

Current liabilities:		
Short-term borrowings	1,206,050,936.38	622,604,447.52
Trading financial liabilities		
Financial liabilities at fair value through profit or loss		4,877,600.00
Derivative financial liabilities		
Notes payable	394,797,353.60	120,000.00
Accounts payable	240,536,449.31	120,021,727.66
Advances from customers	56,085,488.30	49,798,551.14
Payroll payable	190,846,147.50	240,090,943.88
Taxes payable	21,194,320.12	30,914,089.32
Other payables	246,431,412.57	303,672,590.72
Including: Interest payable	4,290,666.39	2,475,549.88
Dividends payable	441,113.64	441,113.64
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	2,355,942,107.78	1,372,099,950.24
Non-current liabilities:		
Long-term borrowings		
Long-term payables		
Long-term payroll payable	86,420,799.53	96,958,178.53
Provisions		
Deferred income	94,086,040.14	94,390,844.09
Deferred income tax liabilities	16,779,630.43	16,699,530.43
Other non-current liabilities		
Total non-current liabilities	197,286,470.10	208,048,553.05
Total liabilities	2,553,228,577.88	1,580,148,503.29
Owners' equity:		
Share capital	858,121,541.00	922,602,311.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	317,206,232.47	759,836,756.57
Less: Treasury stock		486,922,944.94

Other comprehensive income		520,200.00
Specific reserve		
Surplus reserves	1,019,608,711.76	1,019,608,711.76
Retained earnings	3,752,702,968.48	3,714,813,049.43
Total owners' equity	5,947,639,453.71	5,930,458,083.82
Total liabilities and owners' equity	8,500,868,031.59	7,510,606,587.11

3. Consolidated Income Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Revenue	3,185,448,344.01	3,280,407,775.82
Including: Operating revenue	3,185,448,344.01	3,280,407,775.82
Interest income		
2. Costs and expenses	2,737,159,910.26	2,838,643,909.66
Including: Cost of sales	2,210,886,955.53	2,360,836,431.41
Interest expense		
Taxes and surcharges	42,736,804.77	54,470,407.88
Selling expense	77,836,942.94	66,941,088.56
Administrative expense	191,205,597.74	163,274,510.70
R&D expense	161,939,039.23	162,596,245.80
Finance costs	52,554,570.05	30,525,225.31
Including: Interest expense	47,316,465.76	22,535,312.05
Interest income	4,338,765.10	7,403,493.02
Add: Other income	32,226,225.91	37,142,521.95
Return on investment ("-" for loss)	10,417,475.41	4,646,023.78
Including: Share of profit or loss of joint ventures and associates	5,083,101.54	-1,730,597.59
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Foreign exchange gain ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	5,282,600.00	-28,481,010.00
Credit impairment loss ("-" for loss)	-530,951.31	
Asset impairment loss ("-" for loss)	-1,543,199.38	-2,121,494.84
Asset disposal income ("-" for loss)	513,490.00	-522,286.65

3. Operating profit (“-” for loss)	494,654,074.38	452,427,620.40
Add: Non-operating income	3,097,024.44	3,007,154.83
Less: Non-operating expense	2,214,356.54	1,994,923.71
4. Profit before tax (“-” for loss)	495,536,742.28	453,439,851.52
Less: Income tax expense	74,839,232.29	63,275,514.57
5. Net profit (“-” for net loss)	420,697,509.99	390,164,336.95
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	420,697,509.99	390,164,336.95
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	411,446,216.59	377,355,959.02
5.2.1 Net profit attributable to non-controlling interests	9,251,293.40	12,808,377.93
6. Other comprehensive income, net of tax	11,806,511.25	27,559,653.92
Attributable to owners of the Company as the parent	11,806,511.25	27,559,653.92
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes caused by remeasurements on defined benefit pension schemes		
6.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
6.1.3 Changes in the fair value of investments in other equity instruments		
6.1.4 Changes in the fair value of the company’s credit risks		
6.1.5 Other		
6.2 Items that will be reclassified to profit or loss	11,806,511.25	27,559,653.92
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		1,020,000.00
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		

6.2.8 Differences arising from the translation of foreign currency-denominated financial statements	11,806,511.25	26,539,653.92
6.2.9 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	432,504,021.24	417,723,990.87
Attributable to owners of the Company as the parent	423,252,727.84	404,915,612.94
Attributable to non-controlling interests	9,251,293.40	12,808,377.93
8. Earnings per share		
8.1 Basic earnings per share	0.48	0.41
8.2 Diluted earnings per share	0.48	0.41

Where business combinations under common control occurred in the current period, the net profit achieved by the acquirees before the combinations was RMB0.00, with the amount for the same period of last year being RMB0.00.

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

4. Income Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Operating revenue	2,488,329,566.37	2,503,788,850.64
Less: Cost of sales	1,847,868,451.77	1,861,404,465.69
Taxes and surcharges	28,685,411.40	40,307,584.75
Selling expense	46,460,101.19	38,315,465.09
Administrative expense	115,345,994.08	99,865,575.84
R&D expense	111,017,731.29	114,901,275.65
Finance costs	12,593,818.90	11,391,279.87
Including: Interest expense	14,948,218.54	5,723,459.78
Interest income	1,707,105.18	3,196,632.70
Add: Other income	20,170,944.34	28,592,746.20
Return on investment (“-” for loss)	156,928,724.90	1,917,402.93
Including: Share of profit or loss of joint ventures and associates	5,083,101.54	-1,730,597.59
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	5,282,600.00	-18,847,500.00

Credit impairment loss (“-” for loss)	-2,533,623.96	
Asset impairment loss (“-” for loss)		1,182,154.91
Asset disposal income (“-” for loss)	593,665.89	-9,032,750.08
2. Operating profit (“-” for loss)	506,800,368.91	341,415,257.71
Add: Non-operating income	2,310,510.04	1,865,030.22
Less: Non-operating expense	1,023,788.67	1,119,027.21
3. Profit before tax (“-” for loss)	508,087,090.28	342,161,260.72
Less: Income tax expense	56,933,685.54	56,959,321.51
4. Net profit (“-” for net loss)	451,153,404.74	285,201,939.21
4.1 Net profit from continuing operations (“-” for net loss)	451,153,404.74	285,201,939.21
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax		1,020,000.00
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes caused by remeasurements on defined benefit pension schemes		
5.1.2 Other comprehensive income that will not be reclassified to profit or loss under the equity method		
5.1.3 Changes in the fair value of investments in other equity instruments		
5.1.4 Changes in the fair value of the company’s credit risks		
5.1.5 Other		
5.2 Items that will be reclassified to profit or loss		1,020,000.00
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		1,020,000.00
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		

6. Total comprehensive income	451,153,404.74	286,221,939.21
7. Earnings per share		
7.1 Basic earnings per share	0.53	0.31
7.2 Diluted earnings per share	0.53	0.31

5. Consolidated Cash Flow Statement

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,110,163,161.87	3,222,986,999.01
Tax rebates	95,975,203.98	114,081,775.79
Cash generated from other operating activities	46,482,650.58	58,830,516.70
Subtotal of cash generated from operating activities	3,252,621,016.43	3,395,899,291.50
Payments for commodities and services	1,987,264,167.92	1,580,866,513.00
Cash paid to and for employees	882,377,720.86	866,022,073.85
Taxes paid	171,428,644.27	138,363,376.99
Cash used in other operating activities	91,833,420.81	112,862,616.89
Subtotal of cash used in operating activities	3,132,903,953.86	2,698,114,580.73
Net cash generated from/used in operating activities	119,717,062.57	697,784,710.77
2. Cash flows from investing activities:		
Proceeds from disinvestment	30,000,000.00	
Return on investment	2,402,138.74	
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	2,599,510.60	936,526.59
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	9,836,798.66	13,528,136.07
Subtotal of cash generated from investing activities	44,838,448.00	14,464,662.66
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	336,291,428.03	438,092,015.33
Payments for investments	50,000,000.00	
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	4,874,724.40	
Subtotal of cash used in investing activities	391,166,152.43	438,092,015.33
Net cash generated from/used in investing activities	-346,327,704.43	-423,627,352.67

3. Cash flows from financing activities:		
Capital contributions received	50,000,000.00	500,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	50,000,000.00	500,000.00
Borrowings obtained	2,583,222,673.24	1,554,914,896.37
Cash generated from other financing activities	19,000,000.00	39,317,500.00
Subtotal of cash generated from financing activities	2,652,222,673.24	1,594,732,396.37
Repayments of borrowings	1,801,353,379.40	1,235,496,710.59
Payments for interest and dividends	514,442,200.45	469,601,858.04
Including: Dividends paid by subsidiaries to non-controlling interests	50,000,000.00	
Cash used in other financing activities	21,164,104.03	175,517,237.20
Subtotal of cash used in financing activities	2,336,959,683.88	1,880,615,805.83
Net cash generated from/used in financing activities	315,262,989.36	-285,883,409.46
4. Effect of foreign exchange rate changes on cash and cash equivalents	-228,703.12	6,658,728.34
5. Net increase in cash and cash equivalents	88,423,644.38	-5,067,323.02
Add: Cash and cash equivalents, beginning of the period	535,134,772.90	676,639,212.86
6. Cash and cash equivalents, end of the period	623,558,417.28	671,571,889.84

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	H1 2019	H1 2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	2,462,659,877.36	2,547,140,430.96
Tax rebates	61,662,415.98	70,272,032.57
Cash generated from other operating activities	21,521,514.73	36,415,607.59
Subtotal of cash generated from operating activities	2,545,843,808.07	2,653,828,071.12
Payments for commodities and services	1,310,008,487.94	1,356,047,613.94
Cash paid to and for employees	584,827,906.35	605,320,730.04
Taxes paid	111,246,694.11	87,174,263.36
Cash used in other operating activities	44,098,655.74	65,254,416.78
Subtotal of cash used in operating activities	2,050,181,744.14	2,113,797,024.12
Net cash generated from/used in operating activities	495,662,063.93	540,031,047.00
2. Cash flows from investing activities:		

Proceeds from disinvestment	30,000,000.00	
Return on investment	152,402,138.74	
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	2,577,416.61	71,378,849.40
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	71,873,773.84	408,047,687.20
Subtotal of cash generated from investing activities	256,853,329.19	479,426,536.60
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	122,593,981.68	75,495,986.86
Payments for investments	402,922,200.00	350,352,500.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	240,578,744.40	329,863,300.00
Subtotal of cash used in investing activities	766,094,926.08	755,711,786.86
Net cash generated from/used in investing activities	-509,241,596.89	-276,285,250.26
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained	1,694,064,390.96	905,214,428.57
Net proceeds from the issuance of bonds		
Cash generated from other financing activities	130,000,000.00	173,828,100.00
Subtotal of cash generated from financing activities	1,824,064,390.96	1,079,042,528.57
Repayments of borrowings	1,115,914,126.27	821,108,369.41
Payments for interest and dividends	434,574,114.51	455,588,046.43
Cash used in other financing activities	196,713,504.03	175,517,237.20
Subtotal of cash used in financing activities	1,747,201,744.81	1,452,213,653.04
Net cash generated from/used in financing activities	76,862,646.15	-373,171,124.47
4. Effect of foreign exchange rate changes on cash and cash equivalents	-1,121,122.58	-2,646,087.14
5. Net increase in cash and cash equivalents	62,161,990.61	-112,071,414.87
Add: Cash and cash equivalents, beginning of the period	191,305,104.80	267,809,829.78
6. Cash and cash equivalents, end of the period	253,467,095.41	155,738,414.91

7. Consolidated Statements of Changes in Owners' Equity

H1 2019

Unit: RMB

Item	H1 2019													Non-controlling interests	Total owners' equity
	Equity attributable to owners of the Company as the parent											Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings		Other		
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	922,602,311.00				699,493,647.48	486,922,944.94	61,157,013.37		1,022,717,451.40		4,927,500,989.55	7,146,548,467.86	579,276,247.53	7,725,824,715.39	
Add: Adjustments for changed accounting policies							-520,200.00				15,797,284.81	15,277,084.81		15,277,084.81	
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	922,602,311.00				699,493,647.48	486,922,944.94	60,636,813.37		1,022,717,451.40		4,943,298,274.36	7,161,825,552.67	579,276,247.53	7,741,101,800.20	

3. Increase/ decrease in the period (“-” for decrease)	-64,480,770.00				-442,861,219.20	-486,922,944.94	11,806,511.25					-17,614,553.91	-26,227,086.92	8,640,988.50	-17,586,098.42
3.1 Total comprehensive income							11,806,511.25					411,446,216.59	423,252,727.84	9,251,293.40	432,504,021.24
3.2 Capital increased and reduced by owners	-64,480,770.00				-442,861,219.20	-486,922,944.94							-20,419,044.26	49,389,695.10	28,970,650.84
3.2.1 Ordinary shares increased by shareholders	-64,480,770.00				-442,630,569.04	-486,922,944.94							-20,188,394.10	50,000,000.00	29,811,605.90
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other					-230,650.16								-230,650.16	-610,304.90	-840,955.06
3.3 Profit distribution												-429,060,770.50	-429,060,770.50	-50,000,000.00	-479,060,770.50
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															

3.3.3 Appropriation to owners (or shareholders)												-429,060,770.50	-429,060,770.50	-50,000,000.00	-479,060,770.50
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															

3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balances as at the end of the period	858,121,541.00				256,632,428.28		72,443,324.62		1,022,717,451.40		4,925,683,720.45		7,135,598,465.75	587,917,236.03	7,723,515,701.78

H1 2018

Unit: RMB

Item	H1 2018														Non-controlling interests	Total owners' equity
	Equity attributable to owners of the Company as the parent												Subtotal			
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other				
	Pref erred shar es	Perp etual bond s	Ot her													
1. Balances as at the end of the prior year	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06		7,230,942,770.16	544,132,719.64	7,775,075,489.80	
Add: Adjustments for changed accounting policies																
Adjustments for corrections of previous errors																
Adjustments for																

business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06		7,230,942,770.16	544,132,719.64	7,775,075,489.80
3. Increase/ decrease in the period (“-” for decrease)					53.66		121,952,709.49		27,559,653.92		-75,988,368.98		-170,381,370.89	13,308,377.93	-157,072,992.96
3.1 Total comprehensive income							27,559,653.92				377,355,959.02		404,915,612.94	12,808,377.93	417,723,990.87
3.2 Capital increased and reduced by owners					53.66		121,952,709.49						-121,952,655.83	500,000.00	-121,452,655.83
3.2.1 Ordinary shares increased by shareholders							121,952,709.49						-121,952,709.49	500,000.00	-121,452,709.49
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other					53.66								53.66		53.66
3.3 Profit											-453,344,328.00		-453,344,328.00		-453,344,328.00

distribution															
3.3.1 Appropriation to surplus reserves															
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)											-453,344,328.00	-453,344,328.00		-453,344,328.00	
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to															

retained earnings															
3.4.5 Other comprehensive income transferred to retained earnings															
3.4.6 Other															
3.5 Specific reserve															
3.5.1 Increase in the period															
3.5.2 Used in the period															
3.6 Other															
4. Balances as at the end of the period	922,602,311.00				699,493,647.48	121,952,709.49	44,370,228.14		962,933,579.06		4,553,114,343.08		7,060,561,399.27	557,441,097.57	7,618,002,496.84

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

H1 2019

Unit: RMB

Item	H1 2019											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	922,602,311.00				759,836,756.57	486,922,944.94	520,200.00		1,019,608,711.76	3,714,813,049.43		5,930,458,083.82
Add: Adjustments for changed accounting policies							-520,200.00			15,797,284.81		15,277,084.81

Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	922,602,311.00			759,836,756.57	486,922,944.94			1,019,608,711.76	3,730,610,334.24			5,945,735,168.63
3. Increase/ decrease in the period (“-” for decrease)	-64,480,770.00			-442,630,524.10	-486,922,944.94				22,092,634.24			1,904,285.08
3.1 Total comprehensive income									451,153,404.74			451,153,404.74
3.2 Capital increased and reduced by owners	-64,480,770.00			-442,630,524.10	-486,922,944.94							-20,188,349.16
3.2.1 Ordinary shares increased by shareholders	-64,480,770.00			-442,630,569.04	-486,922,944.94							-20,188,394.10
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other				44.94								44.94
3.3 Profit distribution									-429,060,770.50			-429,060,770.50
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)									-429,060,770.50			-429,060,770.50
3.3.3 Other												
3.4 Transfers within owners’ equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	858,121,541.00				317,206,232.47				1,019,608,711.76	3,752,702,968.48		5,947,639,453.71

H1 2018

Unit: RMB

Item	H1 2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37		6,272,394,429.70
Add: Adjustments for changed accounting policies												

Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37		6,272,394,429.70
3. Increase/ decrease in the period (“-” for decrease)					53.66	121,952,709.49	1,020,000.00			-168,142,388.79		-289,075,044.62
3.1 Total comprehensive income							1,020,000.00			285,201,939.21		286,221,939.21
3.2 Capital increased and reduced by owners					53.66	121,952,709.49						-121,952,655.83
3.2.1 Ordinary shares increased by shareholders						121,952,709.49						-121,952,709.49
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other					53.66							53.66
3.3 Profit distribution										-453,344,328.00		-453,344,328.00
3.3.1 Appropriation to surplus reserves												
3.3.2 Appropriation to owners (or shareholders)										-453,344,328.00		-453,344,328.00
3.3.3 Other												
3.4 Transfers within owners’ equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	922,602,311.00				759,836,756.57	121,952,709.49	1,048,050.00		959,824,839.42	3,461,960,137.58		5,983,319,385.08

III. Company Profile

Lu Thai Textile Co., Ltd. (hereinafter referred to as the “Company”) is a joint venture invested by Zibo Lucheng Textile Investment Co., Ltd (originally named Zibo Lucheng Textile Co., Ltd, hereinafter referred to as Lucheng Textile) and Thailand Tailun Textile Co., Ltd. On 3 February 1993, the Company is approved by the former Ministry of Foreign Trade and Economy of the State (1993) in WJMZEHZ No. 59 to convert into a joint-stock enterprise. Zibo Administration for Industry and Commerce issued the Company corporate business license with the registration No. of QGLZZZ No. 000066. In July 1997, the Company is approved by the Securities Committee of the Department of the State in the ZWF (1997) No. 47 to issue 80 million shares of domestically listed foreign share(B-shares) at the price of RMB1.00 per share. Upon approved by Shenzhen Stock Exchange with No. (1997) 296 Listing Notice, the Company is listed on the Shenzhen Stock Exchange on 19 August 1997 with B-shares stock code of 200726. On 24 November 2000, approved by ZJGSZ [2000] No.199 by CSRC, the Company increased publication of 50 million shares of general share (A-shares) at the book value of RMB1.00, which are listed on the Shenzhen Stock Exchange on 25 December 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice. As approved by 2000 Annual General Meeting in May 2001, the Company carried out the distribution plan that 10 shares of capital public reserve are converted to 3 more shares for each 10 shares. As approved by Resolutions of 2001 Annual General Meeting in June 2002, the Company implemented the distribution plan that 10 shares of capital public reserve are converted 3 more shares for each 10 shares again. As approved by 2002 Annual General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees’ shared increased to 40.56 million shares. As examined and approved by ZJGSZ No. [2000] 199 of CSRC, the inner employees’ shares will start circulation 3 years later since listing on the A-share market. On 25 December 2003, the inner employees’ shares reach 3 years since listing on the A-share stock market, and they set out circulation on 26 December 2003. As approved by the Annual General Meeting 2006 held in June 2007, the Company implemented the plan on converting 10 shares to all its shareholders with capital reserves for every 10 shares. After capitalization, the registered capital of the Company was RMB844.8648 million. The Company, in accordance with the official reply on approving Lu Thai Textile Co., Ltd. to issue additional shares (ZJXK [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 December 2008. According to the relevant resolution of the 2nd Special Extraordinary General Meeting of 2011, the relevant resolution of the 15th Meeting of the 6th Board of Directors, the Opinion of China Securities Regulatory Commission on the Restricted Share Incentive Plan of Lu Thai Textile Co., Ltd. (Shang-Shi-Bu-Han [2011] No. 206), the Company applied for a registered capital increment of RMB14.09 million, which was contributed by restricted share incentive receivers with monetary funds. In accordance with the resolution of Proposal on Repurchasing and Canceling Partial Restricted Shares already Granted for the Original Incentive Targets not Reaching the Incentive Conditions made at the 23rd Session of the 6th Board of Directors on 13 August 2012, the Company canceling a total of 60,000.00 shares already granted for the original incentive targets not reaching the incentive conditions. According to the second temporary resolution of Proposal on counter purchase of part of the domestic listed foreign share (B share) on 25 June 2012, the Company counter purchase domestic listed foreign share (B share) 48,837,300 shares. According to the Proposal on Repurchase and Cancel Part of Unlocked Restricted Share of the Original Incentive Personnel not Conforming to the Incentive Condition, Proposal on Repurchase and Cancel unlocked Restricted Share in Second Unlocked Period of all the Incentive Personnel reviewed and approved by the 26th Meeting of the 6th Board of Directors on 27 March 2013, the Company repurchase and cancel 4,257,000 shares owned by original people whom to motivate. According to the Proposal on Repurchase and Write-off of Partly of the Original Incentive Targets Not Met with the Incentive Conditions but Granted Restricted Shares approved on the 11th Meeting of the 7th Board of Directors on 11 June 2014, to execute repurchase and write-off of the whole granted shares of 42,000 shares of the original incentive targets not met with the incentive targets of the Company. As per the Proposal on Buy-back of Some A- and B-shares considered and approved as a resolution at the 1st special meeting of shareholders on 5 August 2015, the Company repurchased 33,156,200 domestically listed foreign shares (B-shares). According to the Agreement about Repurchase of Part of the Company’s B Shares by the Resolutions on the 2nd Extraordinary General Meeting of 2018 on 23 March 2018, the Company repurchased 17.6748 million domestically listed

foreign shares (B shares). As of 30 June 2019, the registered capital of the Company was RMB858.1215 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 1 August 2019.

There were 16 subsidiaries included into the consolidation scope of the Company from January to June 2019, and for the details, please refer to Notes IX. "Equities among Other Entities".

IV Basis for Preparation of Financial Statements

1. Preparation Basis

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

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

V. Significant Accounting Policies and Estimates

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 IV. As for the notes to the important accounting judgment and estimations made by the management level, please refer to Notes V. 29 "Other significant 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 30 June 2019,

business results and cash flows for the January to June of 2019, 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 1st and ends on December 31st 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 and US Dollar 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. 14 “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 loses 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. 14 “Long Term Equity Investment” or Notes V. 9 “Financial Instruments”.

Where the Company loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it 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. 14. (2) ④ in this section) and "Where the Company loses control on its original subsidiaries due to disposal of some equity investments or other reasons" (see the front paragraph) relevant transactions of the Company loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company losing control on its subsidiary.

7. Confirmation Standard for Cash and Cash Equivalent

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

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

(1) Accounting treatments for translation of foreign currency transactions

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

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

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the 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.

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

A foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the

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

(3) Translation of foreign currency financial statements

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

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

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

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

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

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

9. Financial Instruments

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract.

(1) Classification, recognition and measurement of financial assets

The Company classifies the financial assets into financial assets measured at amortized cost, financial assets measured by the fair value and the changes recorded in other comprehensive income and financial assets at fair value through profit or loss based on the business model for financial assets management and characteristics of contractual cash flow of financial assets. Financial assets initially recognized shall be measured at their fair values. For financial assets measured at their fair values and of which the variation is recorded into the profit or loss of the current period, the transaction expenses thereof shall be directly included into the current profit or loss; for other financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

① Financial assets measured by the amortized cost

The business mode of the Company to manage the financial assets targets at collecting the contractual cash flow, that is, the cash flow generated in the specific date is the payment of the interest based on the principal and outstanding principal amount. This kind of financial assets of the Company shall be subsequently measured based on the amortized cost and effective interest method, and the gains or losses arising from the amortization, impairment shall be included into current profit and loss.

② Financial assets measured at the fair value with its changes included into other comprehensive income

Business mode for managing financial assets of the Company takes contract cash flow collected as target and selling as target. The Company calculates such financial assets as per fair value whose change is included into corresponding comprehensive income, but impairment loss or gain, exchange gain or loss and interest income calculated as per actual interest rate method are included into the current profit and loss. Furthermore, the Company designates partial non-tradable equity vehicle investment as the financial asset measured with fair value whose change is included into other comprehensive income. The Company includes the related dividend income of such financial assets into the current profit and loss with the change in fair value included into other comprehensive income. At the time of derecognition of such financial assets, accumulated gain or loss included into other comprehensive income before will be shifted to retained earnings from other comprehensive incomes but not included into the current profit and loss.

③ Financial assets at fair value through profit or loss

The Company classifies financial assets except for above-mentioned financial assets measured with amortized cost and financial assets measured with fair value whose change is included into other comprehensive income into financial assets at fair value through profit or loss

(2) Classification, recognition and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and financial liabilities measured with amortized cost.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include trading financial liabilities which are subsequently measured at fair value and the changes of fair value are recorded into the current profit or loss. When the liabilities are derecognized, the difference between their fair values and their initial recorded amount was recognized as investment income and at the same time the gains and losses of fair value shall be adjusted.

② Financial liabilities with amortized cost

Financial liabilities with amortized cost shall be subsequently measured at the amortized cost. And gains or losses generated from derecognition or amortization shall be recorded into the current profit or loss.

(3) Recognition basis and measurement of financial assets transfer

A financial asset when one of the following conditions is met will be derecognized:

① the rights to receive cash flows from the asset have expired;

② the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or

③ the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a) the carrying amount of the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognized; and (b) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

If the Company endorses the financial assets sold by right of recourse and holding financial assets, it needs to confirm that whether almost all risks and remuneration in the ownership of financial assets have been transferred or not. Where an enterprise has

transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset; If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset. If the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of the financial asset, then it continuously judges that whether the Company retain the control of the assets, and conducts accounting treatment according to the principles described in former paragraphs.

(4) 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)

(5) Determination of financial assets and liabilities' fair value

For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. In valuation, the Company adopts applicable valuation techniques supported by sufficient utilizable data and other information in current circumstances, selects input values consistent with asset or liability characteristics considered in relevant asset or liability transactions of market participators and prioritizes the applying relevant observable input values. Unobservable input values shall not be applied unless relevant observable input values are not accessible or feasible.

(6) Impairment of financial assets

The Company estimates the expected credit loss of financial assets measured at the amortized cost and those measured at fair value and whose changes are included in other comprehensive income (debt instruments) based on expected credit loss. The measurement of expected credit loss depends on whether the credit risk of financial assets has increased significantly since the initial confirmation. In case of a significant increase, the Company measures its loss provisions according to the amount equivalent to the expected credit loss of the financial instrument during its entire life; otherwise, the Company measures its loss provisions according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months, and the increased or reversed amount of loss provisions resulting therefrom shall be included in profits and losses of the current period as impairment losses or gains.

10. Notes Receivable

All notes receivable settled of the Company are bank's acceptance bill and L/C. Based on the credit risk characteristics of notes receivable and comprehensive evaluation of their credit risk characteristics, the Company does not withdraw credit impairment losses for notes receivable.

11. Accounts Receivable

The accounts receivable of the Company include accounts receivable, long-term receivables and other receivables. The Company measures its credit loss according to the amount of estimated credit loss in the duration of the Company, and the increased or reversed amount of credit loss resulting therefrom shall be recorded as loss of credit impairment in the current profit and loss. The withdrawal method is as follows:

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

Where there is objective evidence indicating credit impairment in an account receivable, the Company shall make provisions for bad debts and confirm the expected credit loss.

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

Name of portfolios	Withdrawal method
Risk portfolio	Expected credit losses

The Company grouped accounts receivable into risk portfolios according to similar credit risk characteristics (account age), and compiled a comparative table of the age of accounts receivable and the expected credit loss rate in the duration of the Company combining the current conditions and the forecast of future economic situation to calculate the expected credit loss rate. Refer to the table details as follows:

Aging	Expected credit loss rate (%)
Within 1 year (including 1 year)	5
1-2 years	10
2-3 years	20
Over 3 years	30

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

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

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

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

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

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

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

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

13. Assets Held for Sale

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

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

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

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

14. 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.

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 are 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 IV . 5. (2) "Method on preparation of combined financial statements".

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

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

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

15. 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. 21 “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.

16. Fixed Assets

(1) Conditions for Recognition

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

(2) Depreciation Methods

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

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

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

17. 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 use and other relevant costs. Construction in process is transferred to fixed assets when the assets are ready for their intended use. See the details of the impairment test method of the impairment provision withdrawal method of the construction in progress to Notes V. 21 “Long-term assets impairment”.

18. Borrowing Costs

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

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

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

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

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

19. 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 living assets

Productive living 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 living assets shall be measured based on cost. All costs for creating or fostering Productive living 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 living assets are as below:

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

The Company shall review the service life, expected net residuals and depreciation method of the productive living 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 living 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 living 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 living 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 living 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.

20. 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 prospect, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life.

For details of impairment testing method and provision-making method for intangible assets, see Notes V. 21 “Long-term assets impairment”.

(2) Accounting Policy for Internal Research and Development Expenditures

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

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

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

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

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

21. 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.

22. Long-term Deferred Expenses

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

23. Payroll

(1) Accounting Treatment of Short-term Compensation

The payroll of the Company mainly includes: short-term employees compensation, welfare after departure, demission welfare, and the welfare of other long-term staffs, of which:

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

(2) Accounting Treatment of the Welfare after Departure

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

(3) Accounting Treatment of the Demission Welfare

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

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

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

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

24. Revenue

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

No.

Has implemented the new revenue standard or not

Applicable Not applicable

(1) Selling products

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

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

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

(2) Providing labor services

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

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

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

Where a contract or agreement signed between Company and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured

respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can't be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can't be measured respectively, both parts shall be conducted as selling goods.

(3) Royalty revenue

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

(4) Interest revenue

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

25. Government Subsidies

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

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

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

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

classified into the income-related government subsidy

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

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

26. 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.

27. Lease

(1) Accounting Treatment of Operating Lease

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

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

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

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

(2) Accounting Treatments of Financial Lease

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

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

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

they actually arise.

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

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

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

28. Repurchase of Shares

No gains or losses shall be recognized when the consideration and transaction fees paid in share repurchases reduce the shareholders' equity and the Company's shares are repurchased, transferred or cancelled.

Transfer of treasury stocks shall be included into the capital reserves according to the difference between the actually received amount and the book value of the treasury stocks. If the capital reserves are insufficient for adjustment, the surplus reserves and retained profits shall be adjusted accordingly. For cancellation of treasury stocks, the share capital shall be reduced according to the par value and number of shares cancelled and the capital reserves shall be adjusted according to the difference between the book value of the treasury stocks and the par value. If the capital reserves are insufficient for adjustment, the surplus reserves and retained profits shall be adjusted accordingly.

29. 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) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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.

(8) Measurement of fair value

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

30. Changes in Main Accounting Policies and Estimates

(1) Significant Changes in Accounting Policies

√ Applicable □ Not applicable

Contents of changes in accounting policies and reasons thereof	Approval procedures	Note
<p>(1) In 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24-Hedge Accounting and Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments, and required all enterprises listed domestically to implement the accounting standards related to new financial instruments. The Company starts to carry out above accounting standards since 1 January 2019.</p> <p>(2) On 15 June 2018, the Ministry of Finance issued the Notice on Revising and Issuing the Format of 2018 Financial Statements of General Enterprises (CK[2018]No. 15) in which the format of financial statements of general enterprises was revised, and required governed enterprises to perform since the start date stipulated in this document.</p> <p>(3) In 2015, the Company set up the two wholly-owned subsidiaries Lu Thai Vietnam and Lu An Garments in Vietnam. The recording currency of both two subsidiaries is DONG during the period from respective establishment date to 31 December 2018. The sales export of the two subsidiaries was mainly settled in USD. 86.48% of sales revenue of Lu Thai Vietnam in 2018 was settled in USD and all sales revenue of Lu An Garments were settled in USD. In accordance with provisions of No. 200/2014TT-BTC Accounting Systems for Business Enterprises issued by the Ministry of Finance of Vietnam, the two subsidiaries satisfied the condition taking USD as the recording currency, thus, their recording currencies have been changed into USD since 1 January 2019. The Company needs to make corresponding adjustments to related parts of accounting policies in line with above provisions of accounting systems.</p>	<p>The Proposal on Changes in Parts of Accounting Policies of the Company has been reviewed and approved on the 24th Meeting of the 8th Board of Directors.</p>	

(2) Significant Changes in Accounting Estimates

□ Applicable √ Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases

√ Applicable □ Not applicable

Consolidated Balance Sheet

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	545,502,709.36	545,502,709.36	
Settlement reserve			
Interbank loans granted			
Trading financial assets		60,612,000.00	60,612,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	174,657,918.26	174,657,918.26	
Accounts receivable	374,607,116.55	374,607,116.55	
Financing backed by accounts receivable			
Prepayments	149,582,616.21	149,582,616.21	
Premiums receivable			
Reinsurance receivables			
Receivable reinsurance contract reserve			
Other receivables	63,012,001.10	63,012,001.10	
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	2,093,366,992.30	2,093,366,992.30	
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	86,366,454.56	86,366,454.56	

Total current assets	3,487,095,808.34	3,547,707,808.34	60,612,000.00
Non-current assets:			
Loans and advances to customers			
Investments in debt obligations			
Available-for-sale financial assets	85,112,000.00		-85,112,000.00
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables	10,693,844.75	10,693,844.75	
Long-term equity investments	96,018,463.65	95,554,809.90	-463,653.75
Investments in other equity instruments		12,000,000.00	12,000,000.00
Other non-current financial assets		31,018,515.95	31,018,515.95
Investment property	22,880,242.95	22,880,242.95	
Fixed assets	5,748,562,385.35	5,748,562,385.35	
Construction in progress	337,230,646.42	337,230,646.42	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	478,689,064.45	478,689,064.45	
R&D expense			
Goodwill	20,613,803.29	20,613,803.29	
Long-term prepaid expense	119,126,407.71	119,126,407.71	
Deferred income tax assets	88,636,929.06	85,859,151.67	-2,777,777.39
Other non-current assets	43,100,215.87	43,100,215.87	
Total non-current assets	7,050,664,003.50	7,005,329,088.31	-45,334,915.19
Total assets	10,537,759,811.84	10,553,036,896.65	15,277,084.81
Current liabilities:			
Short-term borrowings	1,325,273,780.05	1,325,273,780.05	
Borrowings from central			

bank			
Interbank loans obtained			
Trading financial liabilities			
Financial liabilities at fair value through profit or loss	4,877,600.00		-4,877,600.00
Derivative financial liabilities		4,877,600.00	4,877,600.00
Notes payable	502,347.05	502,347.05	
Accounts payable	353,186,163.90	353,186,163.90	
Advances from customers	105,562,378.66	105,562,378.66	
Financial assets sold under repurchase agreements			
Customer deposits and interbank deposits			
Payables for acting trading of securities			
Payables for underwriting of securities			
Payroll payable	325,998,210.17	325,998,210.17	
Taxes payable	43,556,823.75	43,556,823.75	
Other payables	215,946,987.68	215,946,987.68	
Including: Interest payable	3,068,841.54	3,068,841.54	
Dividends payable	441,113.64	441,113.64	
Handling charges and commissions payable			
Reinsurance payables			
Contract liabilities			
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities	2,374,904,291.26	2,374,904,291.26	
Non-current liabilities:			
Insurance contract reserve			

Long-term borrowings	170,019,083.89	170,019,083.89	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable	96,958,178.53	96,958,178.53	
Provisions			
Deferred income	140,183,446.39	140,183,446.39	
Deferred income tax liabilities	28,030,096.38	28,030,096.38	
Other non-current liabilities	1,840,000.00	1,840,000.00	
Total non-current liabilities	437,030,805.19	437,030,805.19	
Total liabilities	2,811,935,096.45	2,811,935,096.45	
Owners' equity:			
Share capital	922,602,311.00	922,602,311.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	699,493,647.48	699,493,647.48	
Less: Treasury stock	486,922,944.94	486,922,944.94	
Other comprehensive income	61,157,013.37	60,636,813.37	-520,200.00
Specific reserve			
Surplus reserves	1,022,717,451.40	1,022,717,451.40	
General reserve			
Retained earnings	4,927,500,989.55	4,943,298,274.36	15,797,284.81
Total equity attributable to owners of the Company as the parent	7,146,548,467.86	7,161,825,552.67	15,277,084.81
Non-controlling interests	579,276,247.53	579,276,247.53	
Total owners' equity	7,725,824,715.39	7,741,101,800.20	15,277,084.81
Total liabilities and owners'	10,537,759,811.84	10,553,036,896.65	15,277,084.81

equity			
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Note for adjustment:

In 2017, Ministry of Finance respectively revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting, and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (hereinafter jointly referred to as “new standards governing financial instruments”), which required that enterprises listed domestically shall implement it from 1 January 2019. According to the standards, enterprises shall, on implementation date of the standards, classify and measure financial instruments according to regulations, and adjustment is not needed if the involved previous comparative data of financial statements is different from the data under the “new standards governing financial instruments. For the balance between the original carrying value of financial instruments and the new carrying value on implementation date of the standards, the amount of the items on 1 January 2019 in financial statements shall be adjusted, such as earned earnings, other comprehensive income.

The Company began to implement the new standards governing financial instruments from 1 January 2019. According to Notes of Revising and Printing the Format of 2018 General Enterprises Financial Statement issued by the Ministry of Finance, the Company shall reclassify the original financial assets (liabilities) into trading financial assets, investments in other equity instruments, other non-current financial assets, and derivative financial liabilities. For details about the influenced items and amounts, see the above adjusted financial statements.

Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary capital	191,305,104.80	191,305,104.80	
Trading financial assets		60,612,000.00	60,612,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	91,555,248.34	91,555,248.34	
Accounts receivable	316,225,973.28	316,225,973.28	
Financings backed by accounts receivable			
Prepayments	115,020,260.51	115,020,260.51	
Other receivables	395,847,213.77	395,847,213.77	
Including: Interest receivable			
Dividends receivable			
Inventories	1,040,433,078.53	1,040,433,078.53	
Contract assets			
Assets classified as held			

for sale			
Current portion of non-current assets			
Other current assets	12,671,631.64	12,671,631.64	
Total current assets	2,163,058,510.87	2,223,670,510.87	60,612,000.00
Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	73,112,000.00		-73,112,000.00
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2,165,711,579.69	2,165,247,925.94	-463,653.75
Investments in other equity instruments			
Other non-current financial assets		31,018,515.95	31,018,515.95
Investment property	14,804,592.72	14,804,592.72	
Fixed assets	2,731,726,695.28	2,731,726,695.28	
Construction in progress	61,182,771.86	61,182,771.86	
Productive living assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	242,204,032.54	242,204,032.54	
R&D expense			
Goodwill			
Long-term prepaid expense			
Deferred income tax assets	52,758,961.05	49,981,183.66	-2,777,777.39
Other non-current assets	6,047,443.10	6,047,443.10	
Total non-current assets	5,347,548,076.24	5,302,213,161.05	-45,334,915.19
Total assets	7,510,606,587.11	7,525,883,671.92	15,277,084.81
Current liabilities:			

Short-term borrowings	622,604,447.52	622,604,447.52	
Trading financial liabilities			
Financial liabilities at fair value through profit or loss	4,877,600.00		-4,877,600.00
Derivative financial liabilities		4,877,600.00	4,877,600.00
Notes payable	120,000.00	120,000.00	
Accounts payable	120,021,727.66	120,021,727.66	
Advances from customers	49,798,551.14	49,798,551.14	
Contract liabilities			
Payroll payable	240,090,943.88	240,090,943.88	
Taxes payable	30,914,089.32	30,914,089.32	
Other payables	303,672,590.72	303,672,590.72	
Including: Interest payable	2,475,549.88	2,475,549.88	
Dividends payable	441,113.64	441,113.64	
Liabilities directly associated with assets classified as held for sale			
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities	1,372,099,950.24	1,372,099,950.24	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables			
Long-term payroll payable			
Provisions	96,958,178.53	96,958,178.53	
Deferred income			
Deferred income tax liabilities	94,390,844.09	94,390,844.09	
Other non-current	16,699,530.43	16,699,530.43	

liabilities			
Total non-current liabilities			
Total liabilities	208,048,553.05	208,048,553.05	
Owners' equity:	1,580,148,503.29	1,580,148,503.29	
Share capital			
Other equity instruments	922,602,311.00	922,602,311.00	
Including: Preferred shares			
Perpetual bonds			
Capital reserves			
Less: Treasury stock	759,836,756.57	759,836,756.57	
Other comprehensive income	486,922,944.94	486,922,944.94	
Specific reserve	520,200.00		-520,200.00
Surplus reserves			
General reserve	1,019,608,711.76	1,019,608,711.76	
Retained earnings	3,714,813,049.43	3,730,610,334.24	15,797,284.81
Total owners' equity	5,930,458,083.82	5,945,735,168.63	15,277,084.81
Total liabilities and owners' equity	7,510,606,587.11	7,525,883,671.92	15,277,084.81

Note for adjustment:

In 2017, Ministry of Finance respectively revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, the Accounting Standards for Business Enterprises No. 24 – Hedging Accounting, and the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (hereinafter jointly referred to as “new standards governing financial instruments”), which required that enterprises listed domestically shall implement it from 1 January 2019. According to the standards, enterprises shall, on implementation date of the standards, classify and measure financial instruments according to regulations, and adjustment is not needed if the involved previous comparative data of financial statements is different from the data under the “new standards governing financial instruments. For the balance between the original carrying value of financial instruments and the new carrying value on implementation date of the standards, the amount of the items on 1 January 2019 in financial statements shall be adjusted, such as earned earnings, other comprehensive income.

The Company began to implement the new standards governing financial instruments from 1 January 2019. According to Notes of Revising and Printing the Format of 2018 General Enterprises Financial Statement issued by the Ministry of Finance, the Company shall reclassify the original financial assets (liabilities) into trading financial assets, other non-current financial assets, and derivative financial liabilities. For details about the influenced items and amounts, see the above adjusted financial statements.

(4) Retroactive Adjustments to Comparative Data of Prior Years when First Execution of any New Standards Governing Financial Instruments or Leases

Applicable Not applicable

VI. Taxation

1. Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 16%, 13%, 10%, 9%, 6%, 5%, 3%, and 0% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period.	16%, 13%, 10%, 9%, 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 25%, 16.5% and 15%, and 0% of taxable income respectively, for details, see the table below.	25%, 16.5%, 15%, 0%

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

Taxpayer	Income tax rate
The Company	15%
Lufeng Weaving & Dyeing Co., Ltd. (hereinafter refer to as “Lufeng Weaving & Dyeing”)	15%
Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refer to as “Lu Thai Hong Kong”)	16.50%
Xinjiang Lu Thai Harvest Cotton Co., Ltd. (“Xinjiang Lu Thai”)	25%
Zibo Luqun Textile Co., Ltd. (hereinafter refer to as “Luqun Textile”)	25%
Zibo Xinsheng Power Co., Ltd. hereinafter refer to as “Xinsheng Power”)	25%
Shanghai Lu Thai Textile & Garments Co., Ltd. (hereinafter referred to as “Shanghai Lu Thai”)	25%
Beijing Lu Thai Youxian Electronic Commerce Co., Ltd. (hereinafter referred to as “Beijing Youxian”)	25%
Shanghai Zhinuo Textile New Materials Co., Ltd. (hereinafter referred to as “Shanghai Zhinuo”)	25%
Shandong Lulian New Materials Co., Ltd. (hereinafter refer to as “Lulian New Materials”)	25%
Shandong Lulian New Materials Co., Ltd. (hereinafter referred to as “Lulian New Materials”)	25%

Xinjiang Lu Thai Textile Co., Ltd. (hereinafter referred to as "Xinjiang Textile")	15%
Lu Thai (Cambodia) Textile Co., Ltd. (hereinafter referred to as "Lu Thai Cambodia")	0%
Lu Thai (Burma) Textile Co., Ltd. (hereinafter referred to as "Lu Thai Burma")	0%
Lu Thai (Vietnam) Textile Co., Ltd. (hereinafter referred to as "Lu Thai Vietnam")	0%
Lu Thai (Tan Chau) Textile Co., Ltd. (hereinafter referred to as "Lu Thai Tan Chau")	0%
Lu An Garments Co., Ltd. (hereinafter referred to as "Lu An Garments")	0%
Lu Thai (America) Textile Co., Ltd. (hereinafter referred to as "Lu Thai America")	Refer to 2. Tax Preference presented as follows for details

2. Tax Preference

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

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

Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refers as Lu Thai (Hong Kong) Textile), the wholly-owned subsidiary company of the Company, was incorporated in Hong Kong SAR, whose profit tax shall be paid at tax rate of 16.5%.

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

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

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

The wholly-owned subsidiary Lu Thai Tan Chau of Lu Thai Vietnam shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Tay Ninh Investment Planning Department, and it will enter into 4 years' duty-free term if it is profitable within 3 years' starting term. The Company shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends.

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

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

According to Announcement No. 2 of 2019 published the State Administration of Taxation(SAT), wholly-owned subsidiaries of the Company Shanghai Lu Thai, Shanghai Zhinuo and Beijing Lu Thai Youxian enjoy income tax reduction and exemption for small-scale and low-profit enterprises. From 1 January 2019 to 31 December 2021, the portion of annual taxable income within RMB1 million of the subsidiaries shall be included in taxable income by reduction of 25%; for the portion exceeding RMB1 million but within RMB3 million, it shall be included in taxable income by reduction of 25% based on the enterprise income tax rate of 20%.

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

1. Monetary Capital

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	10,330,609.69	9,087,924.86
Bank deposits	613,227,807.59	526,046,848.04
Other monetary capital	367,936.46	10,367,936.46
Total	623,926,353.74	545,502,709.36
Of which: total amount deposited overseas	153,331,870.26	92,173,384.32

Other notes

As of 30 June 2019, the monetary capital with restricted ownership of the Company was RMB367,936.46 (31 December 2018: RMB10,367,936.46), among which, RMB295,288.20 was used as guarantee deposit for L/C by the Company's sub-subsidiary Xinjiang Textile and RMB72,648.26 was used as guarantee deposit for L/G by the Company's subsidiary Lufeng Weaving & Dyeing.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value through profit or loss	31,146,000.00	60,612,000.00

Including:		
Trading financial assets	31,146,000.00	60,612,000.00
Total	31,146,000.00	60,612,000.00

Other notes

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	40,719,317.59	72,215,993.39
L/C	133,279,057.70	102,441,924.87
Total	173,998,375.29	174,657,918.26

Notes of the basis of recognizing the group:

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of notes receivable.

Applicable Not applicable

(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	160,849,728.60	
Total	160,849,728.60	

4. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

Of which:										
Accounts receivable withdrawal of bad debt provision by the group	401,632,651.52	100.00%	20,179,590.21	5.02%	381,453,061.31	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55
Of which:										
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	401,632,651.52	100.00%	20,179,590.21	5.02%	381,453,061.31	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55
Total	401,632,651.52	100.00%	20,179,590.21	5.02%	381,453,061.31	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55

Withdrawal of bad debt provision: Accounts receivable withdrawal of bad debt provision by credit risks characteristics

Unit: RMB

Item	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal provision
Accounts receivable withdrawal of bad debt provision by credit risks characteristics	401,632,651.52	20,179,590.21	5.02%

Disclosure by age

Unit: RMB

Age	Ending balance
Within 1 year (including 1 year)	401,092,349.62
1 to 2 years	141,075.43
2 to 3 years	89,027.55
Over 3 years	310,198.92
Total	401,632,651.52

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

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

Unit: RMB

Category	Beginning balance	Changes in the current period			Ending balance
		Withdrawal	Withdrawal	Withdrawal	
Bad debt provision for accounts receivable	19,823,714.31	1,065,950.68		710,074.78	20,179,590.21
Total	19,823,714.31	1,065,950.68		710,074.78	20,179,590.21

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

Unit: RMB

Item	Amount
Accounts receivable actually verified	710,074.78

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

The total top 5 accounts receivable in ending balance collected according to the arrears party for the Company was RMB115,365,596.34, accounting for 28.72% of the total ending balance of accounts receivable, and the total ending balance of bad debt provision correspondingly withdrawn was RMB5,768,279.82.

5. Prepayment**(1) Prepayment Listed by Aging Analysis**

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	327,272,499.39	100.00%	149,436,553.91	99.90%
1 to 2 years			10,838.26	0.01%
2 to 3 years	8,319.04	0.00%	8,319.04	0.01%
Over 3 years			126,905.00	0.08%
Total	327,280,818.43	--	149,582,616.21	--

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

None

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

The total top 5 of the ending balance of the prepayments collected according to the prepayment target for the Company was RMB277,207,635.73, accounting for 84.70% of total ending balance of prepayments.

6. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Interest receivable	972,657.58	

Other receivables	52,431,665.93	63,012,001.10
Total	53,404,323.51	63,012,001.10

(1) Interest Receivable

1) Category of Interest Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Fixed time deposits	972,657.58	
Total	972,657.58	

(2) Other Receivables

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export taxes refund	19,462,152.98	25,988,374.88
Advance payment	27,542,443.46	30,975,850.53
Cash pledge & Margin	7,006,988.12	6,227,752.93
Borrowings and petty cash	2,591,549.18	3,232,785.56
Other	915,905.78	2,272,245.31
Total	57,519,039.52	68,697,009.21

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	5,092,570.88	592,437.23		5,685,008.11
Balance of 1 January 2019 in the current period	—	—	—	—
Withdrawal of the current period	-597,634.52			-597,634.52
Balance of 30 June 2019	4,494,936.36	592,437.23		5,087,373.59

Changes of carrying amount with significant amount changes in loss provision in the current period

 Applicable Not applicable

List by Aging Analysis

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	48,719,076.28
1 to 2 years	1,436,382.82
2 to 3 years	2,344,861.53
Over 3 years	5,018,718.89
Total	57,519,039.52

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

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

Unit: RMB

Category	Beginning balance	Changes in the current period		Ending balance
		Withdrawal	Reversal or recovery	
Bad debt provision for other receivables	5,685,008.11	-597,634.52		5,087,373.59
Total	5,685,008.11	-597,634.52		5,087,373.59

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

Unit: RMB

Item	Amount
Accounts receivable actually verified	0.00

5) Top 5 of the Ending Balance of the Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of other receivables%	Ending balance of bad debt provision
Export taxes refund receivable	Export taxes refund	19,462,152.98	Within 1 year	33.83%	973,107.65
Advance money receivable of the fundraising houses	Advance	8,143,803.43	Within 1 year	14.16%	407,190.17
Advances for agricultural machinery	Advance	4,140,053.29	Within 1 year	7.20%	207,002.66
Cash deposit for salary of migrant workers in Zichuan district of Zibo city	Cash deposit for salary of migrant workers for construction work	3,472,120.10	Within 1 year; over 3 years	6.04%	886,686.03
Bureau of Housing and Urban-Rural Development in Zichuan district of Zibo city	Refund of wall modification	1,495,857.16	Within 1 year; over 3 years	2.60%	280,125.36

Total	--	36,713,986.96	--	63.83%	2,754,111.87
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7. Inventory

Whether the Company has executed the new income standards

Yes No

(1) Category of Inventories

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Falling price reserves	Carrying value	Carrying amount	Falling price reserves	Carrying value
Raw materials	1,046,230,286.41	0.00	1,046,230,286.41	768,264,219.42	2,069,324.65	766,194,894.77
Goods in process	498,963,577.52		498,963,577.52	568,371,033.96		568,371,033.96
Inventory goods	815,759,425.79	43,863,760.34	771,895,665.45	798,090,300.29	64,960,183.31	733,130,116.98
Consumptive living assets	1,446,825.64	237,414.18	1,209,411.46	1,352,241.24	266,680.61	1,085,560.63
Assigned processing products	19,791,690.27		19,791,690.27	24,585,385.96		24,585,385.96
Total	2,382,191,805.63	44,101,174.52	2,338,090,631.11	2,160,663,180.87	67,296,188.57	2,093,366,992.30

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

No

(2) Falling Price Reserves of Inventories

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	2,069,324.65			2,069,324.65		0.00
Inventory goods	64,960,183.31	1,543,199.38		22,639,622.35		43,863,760.34
Consumptive living assets	266,680.61			29,266.43		237,414.18
Total	67,296,188.57	1,543,199.38		24,738,213.43		44,101,174.52

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

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

Notes:

① The inventory falling price reserves shall be made based on the balance of inventory cost and the realizable net value regarding the former is higher than the latter, which is caused by the quality problem 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 living asset Hu sheep at the end of the Reporting Period.

② The subsidiary of the Company-Xinjiang Lu Thai Textile-obtained the short-term borrowing of RMB299,000,000.00 from the bank taking the inventories with the carrying value of RMB255,913,268.92 as a pledge.

8. Non-current Assets Due within 1 Year

Unit: RMB

Item	Ending balance	Beginning balance
Equity investment due within 1 year	51,253,405.99	
Total	51,253,405.99	

9. Other Current Assets

Whether the Company has executed the new income standards

Yes No

Unit: RMB

Item	Ending balance	Beginning balance
VAT input tax to be deducted	58,479,595.74	69,931,124.83
Prepaid income tax to be deducted	6,743,440.53	4,820,039.66
B-share repurchase account		11,615,290.07
Total	65,223,036.27	86,366,454.56

Other notes:

10. Long-term Receivables

(1) List of Long-term Receivables

Unit: RMB

Item	Ending balance			Beginning balance			Interval of discount rate
	Carrying amount	Bad debt provision	Carrying value	Carrying amount	Carrying value	Carrying amount	
Financing lease accounts	650,000.00		650,000.00	650,000.00		650,000.00	15.37%
Of which: unrealized financing income	66,001.90		66,001.90	105,603.04		105,603.04	
Long-term advances receivable	9,611,679.27	591,258.56	9,020,420.71	10,572,468.16	528,623.41	10,043,844.75	
Total	10,261,679.27	591,258.56	9,670,420.71	11,222,468.16	528,623.41	10,693,844.75	--

Bad Debt Provision

Bad Debt Provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	528,623.41			528,623.41
Balance of 1 January 2019 in the current period	—	—	—	—
--Transfer to Second stage				
-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to Third stage				
Withdrawal of the current period	62,635.15			62,635.15
Reversal of the current period				
Write-offs of the current period				
Verification of the current period				
Other changes				
Balance of 30 June 2019	591,258.56			591,258.56

Changes of carrying amount with significant amount changes in loss provision in the current period

Applicable Not applicable

11. Long-term Equity Investment

Unit: RMB

Investee	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserves
		Additiona l investme nt	Red uced investme nt	Gains and losses recognized under the equity method	Adjustmen t of other comprehe nsive income	Chang es of other equity	Cash bonus or profits announced to issue	Withd rawal of depre ciatio n reserv es	Other		
II. Associated enterprises											
Ningbo Meishan Bonded Poer Area Haohong Equity Investment Partnership (L.P) (hereinafter referred to as "Haohong Investment")	95,554,809.90			5,083,101.54						100,637,911.44	
Subtotal	95,554,809.90			5,083,101.54						100,637,911.44	
Total	95,554,809.90			5,083,101.54						100,637,911.44	

Other notes

12. Other Equity Instrument Investment

Unit: RMB

Item	Ending balance	Beginning balance
Shandong Hongqiao Power Co., Ltd.	12,000,000.00	12,000,000.00
Total	12,000,000.00	12,000,000.00

13. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Yantai Rongchang Pharmacy Co., Ltd.	31,018,515.95	31,018,515.95
Total	31,018,515.95	31,018,515.95

14. Investment Property**(1) Investment Property Adopting the Cost Measurement Mode**

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original carrying value				
1. Beginning balance	32,399,982.40			32,399,982.40
2. Increased amount of the period	21,149,343.04			21,149,343.04
(1) Outsourcing				
(2) Transfer from inventory\fixed assets\construction in progress	21,149,343.04			21,149,343.04
(3) Enterprise combination increase				
3. Decreased amount of the period	1,003,063.00			1,003,063.00
(1) Disposal				
(2) Other transfer	1,003,063.00			1,003,063.00
4. Ending balance	52,546,262.44			52,546,262.44
II. Accumulative depreciation and accumulative amortization				
1. Beginning balance	9,519,739.45			9,519,739.45
2. Increased amount of the period	4,420,898.71			4,420,898.71
(1) Withdrawal or amortization	599,921.59			599,921.59
(2) Transfer from accumulative depreciation of fixed assets	3,820,977.12			3,820,977.12
3. Decreased amount of the period	112,844.58			112,844.58
(1) Disposal				
(2) Other transfer	112,844.58			112,844.58
4. Ending balance	13,827,793.58			13,827,793.58

III. Depreciation reserves				
1. Beginning balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Ending balance				
IV. Carrying value				
1. Ending carrying value	38,718,468.86			38,718,468.86
2. Beginning carrying value	22,880,242.95			22,880,242.95

15. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	5,729,951,131.93	5,748,562,385.35
Total	5,729,951,131.93	5,748,562,385.35

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value					
1. Beginning balance	3,251,285,811.62	6,567,263,906.52	63,692,200.59	125,565,020.71	10,007,806,939.44
2. Increased amount of the period	35,098,684.89	193,352,685.57	2,129,219.80	2,674,113.23	233,254,703.49
(1) Purchase	2,952,811.67	98,261,725.84	2,025,255.17	2,665,184.54	105,904,977.22
(2) Transfer from construction in progress	30,548,510.07	91,728,021.21			122,276,531.28
(3) Enterprise combination increase					
(4) Other	1,597,363.15	3,362,938.52	103,964.63	8,928.69	5,073,194.99
3. Decreased amount of the period	33,418,502.68	889,202.53	197,832.66	1,266,933.26	35,772,471.13

(1) Disposal or Scrap	1,002,066.89	889,202.53	197,832.66	1,266,933.26	3,356,035.34
(2) Transferred into investment property	21,182,119.54				21,182,119.54
(3) Transferred into construction in progress	11,234,316.25				11,234,316.25
(4) Other					
4. Ending balance	3,252,965,993.83	6,759,727,389.56	65,623,587.73	126,972,200.68	10,205,289,171.80
II. Accumulative depreciation					
1. Beginning balance	959,511,665.02	3,129,855,046.37	41,145,799.39	86,048,051.87	4,216,560,562.65
2. Increased amount of the period	55,942,394.39	159,683,083.77	2,652,806.16	7,847,292.25	226,125,576.57
(1) Withdrawal	55,942,394.39	159,683,083.77	2,652,806.16	7,847,292.25	226,125,576.57
3. Decreased amount of the period	7,851,140.84	791,015.03	187,941.03	1,199,359.61	10,029,456.51
(1) Disposal or Scrap	334,727.30	791,015.03	187,941.03	1,199,359.61	2,513,042.97
(2) Transferred into investment property	3,820,977.12				3,820,977.12
(3) Transferred into construction in progress	3,695,436.42				3,695,436.42
4. Ending balance	1,007,602,918.57	3,288,747,115.11	43,610,664.52	92,695,984.51	4,432,656,682.71
III. Depreciation reserves					
1. Beginning balance	2,893,416.89	39,649,126.64	24,803.69	116,644.22	42,683,991.44
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period		2,634.28			2,634.28
(1) Disposal or Scrap		2,634.28			2,634.28
4. Ending balance	2,893,416.89	39,646,492.36	24,803.69	116,644.22	42,681,357.16
IV. Carrying value					
1. Ending carrying value	2,242,469,658.37	3,431,333,782.09	21,988,119.52	34,159,571.95	5,729,951,131.93
2. Beginning carrying value	2,288,880,729.71	3,397,759,733.51	22,521,597.51	39,400,324.62	5,748,562,385.35

(2) Fixed Assets Leased out by Operation Lease

Unit: RMB

Item	Ending carrying value
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Houses and buildings	1,056,074.64
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(3) Fixed Assets Failed to Accomplish Certification of Property

Unit: RMB

Item	Carrying value	Reason
Weaving and yarn dyeing workshop	99,676,229.15	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of eastern area of industrial park	40,781,736.31	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Spinning Fourth factory workshop	88,063,762.49	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of western area of industrial park	119,623,003.67	Ongoing inspection, surveying, verification to application procedures by Housing authorities for some assets and uncompleted inspection by relevant authorities for some other assets
Eastern sample plant	29,327,157.36	Uncompleted inspection by relevant authorities
Lufeng weaving dye workshop	129,348,595.84	Ongoing registration of premises permit by real estate exchange
Xinjiang construction project of 100,000-spindle spinning production line	67,813,878.46	Ongoing verification to application procedures by Bureau of Land Resources

16. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	257,965,534.19	244,493,960.75
Engineering materials	202,424,352.96	92,736,685.67
Total	460,389,887.15	337,230,646.42

(1) List of Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciated on reserves	Carrying value	Carrying amount	Depreciated on reserves	Carrying value
Renovation project for exhibition hall and office building	2,683,566.26		2,683,566.26	24,788,720.86		24,788,720.86

Renovation project for international business center and creative experience center	9,491,723.70		9,491,723.70			
Phase II of Eastern Dyed-yarn Automatic Library	270,225.14		270,225.14			
Reform project of Xinsheng Thermal Power	13,975,666.21		13,975,666.21	12,145,265.65		12,145,265.65
Expansion project of Xinsheng Thermal Power (Phase II)	18,860,515.84		18,860,515.84	73,512,524.40		73,512,524.40
Heat supply engineering of Xinsheng Thermal Power	10,470,515.13		10,470,515.13	9,025,279.89		9,025,279.89
Lu Thai (Vietnam) project	23,786,203.77		23,786,203.77	12,414,796.74		12,414,796.74
Spinning Phase II of Lu Thai (Vietnam) project	10,334,473.83		10,334,473.83	3,908,174.87		3,908,174.87
Yarn Dye Phase II of Lu Thai (Vietnam) project	105,226,627.88		105,226,627.88	83,880,726.83		83,880,726.83
Project of Lu An Garments	2,600,417.15		2,600,417.15	4,140,135.90		4,140,135.90
Yarn Dye of Lu Thai Tan Chau project	37,030,681.68		37,030,681.68			
Phase I of Functional Fabric Intelligent Ecological Park project	2,503,277.46		2,503,277.46			
Other retails projects	20,731,640.14		20,731,640.14	20,678,335.61		20,678,335.61
Total	257,965,534.19	0.00	257,965,534.19	244,493,960.75	0.00	244,493,960.75

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

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Renovation project for exhibition hall	27,100,000.00	24,788,720.86	5,011,070.65	27,116,225.25		2,683,566.26	95.00%	95%				Other

and office building												
Renovation project for international business center and creative experience center	8,500,000.00		9,491,723.70			9,491,723.70	23.00%	23%				Other
Phase II of Eastern Dyed-yarn Automatic Library	1,600,000.00		270,225.14			270,225.14	17.00%	17%				Other
Reform project of Xinsheng Thermal Power	20,000,000.00	12,145,265.65	1,830,400.56	0.00		13,975,666.21	94.00%	94%				Other
Expansion project of Xinsheng Thermal Power (Phase II)	97,950,000.00	73,512,524.40	33,611,291.18	88,263,299.74		18,860,515.84	92.00%	92%				Other
Heat supply engineering of Xinsheng Thermal Power	32,670,000.00	9,025,279.89	1,445,235.24	0.00		10,470,515.13	50.00%	50%				Other
Lu Thai (Vietnam) project	242,282,300.00	12,414,796.74	11,371,407.03	0.00		23,786,203.77	99.00%	99%				Other
Spinning Phase II of Lu Thai (Vietnam) project	52,750,000.00	3,908,174.87	6,426,298.96	0.00		10,334,473.83	96.00%	96%				Other
Yarn Dye Phase II of Lu Thai (Vietnam) project	110,300,000.00	83,880,726.83	21,345,901.05	0.00		105,226,627.88	95.00%	95%				Other
Project of Lu An Garments	93,035,700.00	4,140,135.90	1,918,639.08	3,458,357.83		2,600,417.15	99.00%	99%				Other
Yarn Dye of Lu Thai Tan Chau	109,995,200.00	0.00	37,030,681.68	0.00		37,030,681.68	34.00%	34%				Other

project												
Phase I of Functional Fabric Intelligent Ecological Park project	158,065,400.00	0.00	2,503,277.46	0.00		2,503,277.46	2.00%	2%				Other
Other retails projects		20,678,335.61	3,491,952.99	3,438,648.46		20,731,640.14						Other
Total	954,248,600.00	244,493,960.75	135,748,104.72	122,276,531.28		257,965,534.19	--	--				--

(3) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Carrying amount	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Specific materials						
Specific equipment	202,424,352.96		202,424,352.96	92,736,685.67		92,736,685.67
Total	202,424,352.96		202,424,352.96	92,736,685.67		92,736,685.67

Other notes:

17. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Patent right	Software use right	Brand use right	Total
I. Original carrying value					
1. Beginning balance	580,757,501.63	1,985,176.47	9,710,689.79	300,000.00	592,753,367.89
2. Increased amount of the period	8,997,749.14		1,184,552.59		10,182,301.73
(1) Purchase	8,997,749.14		1,184,552.59		10,182,301.73
(2) Internal R&D					
(3) Business combination increase					

3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	589,755,250.77	1,985,176.47	10,895,242.38	300,000.00	602,935,669.62
II. Accumulated amortization					
1. Beginning balance	106,250,709.40	1,621,227.72	6,072,366.32	120,000.00	114,064,303.44
2. Increased amount of the period	7,847,326.45	114,258.84	2,004,170.72		9,965,756.01
(1) Withdrawal	7,847,326.45	114,258.84	2,004,170.72		9,965,756.01
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance	114,098,035.85	1,735,486.56	8,076,537.04	120,000.00	124,030,059.45
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	475,657,214.92	249,689.91	2,818,705.34	180,000.00	478,905,610.17
2. Beginning carrying value	474,506,792.23	363,948.75	3,638,323.47	180,000.00	478,689,064.45

The proportion of intangible assets formed from the internal R&D of the Company at the Period-end to the ending balance of intangible assets was 0.00.

18. R&D Expense

Item	Beginning balance	Increase		Decrease		Ending balance
		Internal R&D expense	Other	Recognized as intangible assets	Transferred into the current profit or loss	
R&D of products		161,939,039.23			161,939,039.23	
Total		161,939,039.23			161,939,039.23	

19. Goodwill

(1) Original Carrying Value of Goodwill

Unit: RMB

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

(2) Impairment Provision for Goodwill

Refer to Note V-21 for details of the test method of goodwill impairment.

20. Long-term Prepaid Expense

Unit: RMB

Item	Beginning balance	Increased amount	Amortization amount of the period	Other decreased amount	Ending balance
Land contracting fee of Xinjiang Luthai	25,607,423.92		543,109.50		25,064,314.42
Decoration fee of Xinjiang Lu Thai	672,679.41		81,067.98		591,611.43
Land rent of overseas subsidiaries	92,846,304.38	393,170.13	978,735.57		92,260,738.94
Housing rent of overseas subsidiaries	0.00				
Total	119,126,407.71	393,170.13	1,602,913.05		117,916,664.79

21. Deferred Income Tax Assets/Deferred Income Tax Liabilities

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	99,166,519.42	17,549,279.45	126,694,466.74	20,904,717.95

Unrealized profit of internal transactions	145,987,556.90	17,900,842.79	130,892,601.80	16,151,715.20
One-time listed decoration expenses	4,140,492.30	1,035,123.08	4,140,492.30	1,035,123.08
Payroll payable	122,397,245.35	18,458,763.12	122,397,245.35	18,458,763.12
Deferred income	139,234,253.96	22,286,791.36	140,183,446.39	22,457,708.11
Changes in fair value of trading financial liabilities			4,877,600.00	731,640.00
Changes in fair value of financial assets	24,264,084.05	3,639,612.61	24,264,084.05	3,639,612.61
Deductible loss	16,532,477.30	2,479,871.60	16,532,477.30	2,479,871.60
合计	551,722,629.28	83,350,284.01	569,982,413.93	85,859,151.67

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

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	162,078,958.68	25,849,404.39	162,016,488.25	25,838,853.38
Unrealized profit of internal transactions	12,400,680.83	1,860,102.12	13,996,286.66	2,099,443.00
Changes in fair value of available-for-sale financial assets	1,146,000.00	171,900.00	612,000.00	91,800.00
Total	175,625,639.51	27,881,406.51	176,624,774.91	28,030,096.38

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	13,474,234.62	9,323,059.10
Deductible losses	26,305,825.71	26,603,299.43
Total	39,780,060.33	35,926,358.53

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

Unit: RMB

Years	Ending balance	Beginning balance	Notes
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Y2019	451,833.98	451,833.98	
Y2020	15,662,840.17	18,170,464.10	
Y2021	4,250,703.45	4,250,703.45	
Y2022	3,730,297.90	3,730,297.90	
Y2024	2,210,150.21		
Total	26,305,825.71	26,603,299.43	--

22. Other Non-current Assets

Whether the Company has executed the new income standards

Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for equipment	15,287,122.02	17,275,143.10
Prepayment for land	25,400,000.00	1,996,937.00
Prepayment for rental fees of land	32,596,640.98	23,828,135.77
Total	73,283,763.00	43,100,215.87

23. Short-term Borrowings

(1) Category of Short-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage borrowings	299,000,000.00	450,000,000.00
Guaranteed borrowings	177,211,407.19	250,108,063.34
Credit borrowings	1,661,441,843.10	625,165,716.71
Total	2,137,653,250.29	1,325,273,780.05

Notes of short-term borrowings category:

For details of category and amount for each assets mortgaged for mortgage borrowings, please refer to Note VII-7 and 60.

24. Derivative Financial Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Derivative financial liabilities	0.00	4,877,600.00
Total		4,877,600.00

25. Notes Payable

Unit: RMB

Item	Ending balance	Beginning balance
Trade acceptance	475,192.04	502,347.05
Bank acceptance bill	63,479,362.30	0.00
Total	63,954,554.34	502,347.05

The total overdue but unpaid notes payable at the period-end were RMB63,954,554.34.

26. Accounts Payable**(1) List of Accounts Payable**

Unit: RMB

Item	Ending balance	Beginning balance
Purchase of goods	151,900,644.66	237,111,166.13
Engineering equipment	98,761,927.10	106,527,421.37
Other	8,300,256.76	9,547,576.40
Total	258,962,828.52	353,186,163.90

27. Advances from Customers

Whether the Company has executed the new income standards

Yes No

(1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Advances of goods	96,623,151.61	105,562,378.66
Total	96,623,151.61	105,562,378.66

28. Payroll Payable**(1) List of Payroll Payable**

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	325,972,145.10	849,638,696.25	917,224,915.18	258,385,926.17

II. Post-employment benefit-defined contribution plans	26,065.07	86,343,306.24	86,368,700.68	670.63
III. Termination benefits	0.00	1,912,961.26	1,912,961.26	
Total	325,998,210.17	937,894,963.75	1,005,506,577.12	258,386,596.80

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	268,788,698.76	765,144,129.27	836,694,701.85	197,238,126.18
2. Employee welfare	0.00	24,422,914.84	24,422,914.84	
3. Social insurance	37,292.13	40,552,737.70	40,571,570.28	18,459.55
Of which: Medical insurance premiums	29,466.69	32,303,724.29	32,320,755.92	12,435.06
Work-related injury insurance	6,291.48	4,064,483.57	4,064,791.20	5,983.85
Maternity insurance	1,533.96	4,184,529.84	4,186,023.16	40.64
4. Housing fund	0.00	7,939,107.30	7,939,107.30	
5. Labor union budget and employee education budget	57,146,154.21	11,579,807.14	7,596,620.91	61,129,340.44
Total	325,972,145.10	849,638,696.25	917,224,915.18	258,385,926.17

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits	25,019.49	82,804,948.82	82,829,324.78	643.53
2. Unemployment insurance	1,045.58	3,538,357.42	3,539,375.90	27.10
Total	26,065.07	86,343,306.24	86,368,700.68	670.63

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 16% and 0.7% of the endowment insurance base, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant expense occurred was recorded into current profits and losses or related assets costs.

29. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	22,920,170.57	4,057,605.21
Corporate income tax	12,400,123.09	18,491,849.09
Personal income tax	1,449,390.70	1,279,197.68
Urban maintenance and construction tax	2,463,740.52	5,509,392.03
Stamp tax	333,741.30	187,822.50
Property tax	4,403,240.67	4,684,717.85
Land use tax	2,324,707.70	4,215,720.49
Education surcharge	1,616,023.08	2,381,414.25
Local education surcharge	1,077,348.69	1,587,021.34
Local water conservancy facility construction fund	163,140.72	394,952.66
Resource tax	114,460.00	154,200.00
Environmental protection tax	190,124.80	612,930.65
Total	49,456,211.84	43,556,823.75

30. Other Payables

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable	4,728,481.25	3,068,841.54
Dividends payable	441,113.64	441,113.64
Other payables	208,801,352.97	212,437,032.50
Total	213,970,947.86	215,946,987.68

(1) Interest Payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable of short-term borrowings	4,728,481.25	3,068,841.54
Total	4,728,481.25	3,068,841.54

(2) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable to individual shareholders by the Company	441,113.64	441,113.64
Total	441,113.64	441,113.64

Other notes, including significant dividends payable unpaid for over one year, the unpaid reason shall be disclosed:

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

(3) Other Payables

1) Other Payables Listed by Nature

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	22,166,727.74	19,035,286.49
Collecting payment on behalf of others	16,032,165.86	18,288,047.56
Intercourse funds	160,010,348.59	165,655,961.20
Other	10,592,110.78	9,457,737.25
Total	208,801,352.97	212,437,032.50

2) Significant Other Payables Aging over One Year

Unit: RMB

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

31. Current Portion of Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Current portion of long-term borrowings	144,282,763.91	
Total	144,282,763.91	

32. Long-term Borrowings

(1) Category of Long-term Borrowings

Unit: RMB

Item	Ending balance	Beginning balance
Guarantee loan	144,282,763.91	170,019,083.89
Less: current portion of long-term	-144,282,763.91	

borrowings (Notes VII-31)		
Total		170,019,083.89

33. Long-term Payroll Payable

(1) List of Long-term Payroll Payable

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	86,420,799.53	96,958,178.53
Total	86,420,799.53	96,958,178.53

34. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
Government subsidies	140,077,843.35	4,177,400.00	5,086,991.29	139,168,252.06	Government subsidies
Unrealized financing incomes	105,603.04		39,601.14	66,001.90	Finance lease
Total	140,183,446.39	4,177,400.00	5,126,592.43	139,234,253.96	--

Item involving government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Land	57,872,611.45			677,125.92			57,195,485.53	Related to assets
Equipment	61,790,767.51	877,400.00		2,407,142.82			60,261,024.69	Related to assets
Production living assets	558,000.08			66,499.98			491,500.10	Related to assets
Overseas investment	500,000.00						500,000.00	Related to assets
R&D	5,262,000.00	3,300,000.00					8,562,000.00	Related to

								income
Public housing subsidy	1,237,942.13			24,115.74			1,213,826.39	Related to assets
Subsidy for improvement and transformation of green land	12,856,522.18			1,912,106.83			10,944,415.35	Related to income
Total	140,077,843.35	4,177,400.00		5,086,991.29			139,168,252.06	

Other notes:

35. Other Non-current Liabilities

Whether the Company has executed the new income standards

Yes No

Unit: RMB

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

36. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus share	Bonus issue from profit	Other	Subtotal	
The sum of shares	922,602,311.00				-64,480,770.00	-64,480,770.00	858,121,541.00

37. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	640,470,910.34		442,861,264.14	197,609,646.20
Other capital reserves	59,022,737.14	44.94		59,022,782.08
Total	699,493,647.48	44.94	442,861,264.14	256,632,428.28

38. Treasury Shares

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Shares of the Company acquired for decrease in registered capital	486,922,944.94	20,188,394.10	507,111,339.04	
Total	486,922,944.94	20,188,394.10	507,111,339.04	

39. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in retained profits in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	60,636,813.37	11,806,511.25				11,806,511.25		72,443,324.62
Differences arising from translation of foreign currency-denominated financial statements	60,636,813.37	11,806,511.25				11,806,511.25		72,443,324.62
Total of other comprehensive income	60,636,813.37	11,806,511.25				11,806,511.25		72,443,324.62

Other notes, including the adjustment of the effective gain/loss on cash flow hedges to the initial recognized amount:

40. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	1,019,375,878.82			1,019,375,878.82
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	1,022,717,451.40			1,022,717,451.40

Notes, including changes and reason of change:

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

41. Retained Earnings

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained earnings before adjustments	4,927,500,989.55	4,629,102,712.06
Total beginning retained earnings before adjustment (+ for increase, - for decrease)	15,797,284.81	
Total beginning retained earnings after adjustment	4,943,298,274.36	4,629,102,712.06
Add: Net profit attributable to owners of the Company as the parent	411,446,216.59	811,526,477.83
Less: Withdrawal of statutory surplus reserves		59,783,872.34
Dividend of ordinary shares payable	429,060,770.50	453,344,328.00
Ending retained earnings	4,925,683,720.45	4,927,500,989.55

List of adjustment of beginning retained earnings:

- (1) RMB15,797,284.81 beginning retained earnings was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- (2) RMB0.00 beginning retained earnings was affected by changes in accounting policies.
- (3) RMB0.00 beginning retained earnings was affected by correction of significant accounting errors.
- (4) RMB0.00 beginning retained earnings was affected by changes in combination scope arising from same control.
- (5) RMB0.00 beginning retained earnings was affected totally by other adjustments.

42. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	3,067,390,155.73	2,138,306,997.45	3,161,001,569.72	2,286,826,556.57
Other operations	118,058,188.28	72,579,958.08	119,406,206.10	74,009,874.84

Total	3,185,448,344.01	2,210,886,955.53	3,280,407,775.82	2,360,836,431.41
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Whether the Company has executed the new income standards

Yes No

Other notes

43. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	12,942,977.77	17,451,386.91
Education Surcharge	6,280,555.02	7,605,633.12
Property tax	273,812.00	220,654.00
Land use tax	10,445,304.80	10,374,539.75
Vehicle and vessel usage tax	4,971,821.88	9,379,056.90
Stamp duty	67,558.06	75,652.02
Local education surcharge	1,974,918.20	1,989,710.41
Local water conservancy facility construction fund	4,186,251.77	5,070,422.01
Urban maintenance and construction tax	906,978.57	1,262,384.77
Environmental protection tax	686,626.70	1,040,967.99
Total	42,736,804.77	54,470,407.88

Other notes:

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

44. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	20,574,080.44	19,297,126.63
Transport fees	23,619,036.59	20,928,650.85
Advertising expense	842,219.72	5,420,732.63
Port surcharge	6,962,843.36	6,170,035.18
Depreciation charge	2,590,789.92	2,532,810.28
Business travel charges	2,276,163.13	1,629,252.55
Rental charges	352,005.53	556,033.51
Sales service charge	9,324,787.65	820,971.59
Other	11,295,016.60	9,585,475.34

Total	77,836,942.94	66,941,088.56
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45. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	70,734,616.39	49,380,053.99
Depreciation charge	16,165,351.08	13,579,871.22
Warehouse funding	18,689,030.12	14,923,489.16
Travel expense	9,626,697.87	8,855,345.37
Rental charges	7,783,345.21	8,383,823.95
Labor-union expenditure	7,253,250.66	8,029,634.53
Employee education budget	4,917,654.51	5,642,213.54
Amortization of intangible assets	6,659,983.58	5,669,585.44
Transport fees	3,978,013.51	3,049,340.29
Other	45,397,654.81	45,761,153.21
Total	191,205,597.74	163,274,510.70

46. R&D Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	81,442,048.22	86,027,684.32
Materials	61,389,843.36	59,527,384.78
Depreciation	5,495,504.06	4,787,846.11
Other	13,611,643.59	12,253,330.59
Total	161,939,039.23	162,596,245.80

47. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	47,316,465.76	22,535,312.05
Less: Interest income	4,338,765.10	7,403,493.02
Less: Amount of capitalized interest		
Foreign exchange gains or losses	4,695,399.57	11,511,469.36
Other	4,881,469.82	3,881,936.92

Total	52,554,570.05	30,525,225.31
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48. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Government subsidies	32,226,225.91	37,142,521.95
Total	32,226,225.91	37,142,521.95

49. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	5,083,101.54	-1,730,597.59
Investment income from disposal of financial assets at fair value through profit or loss	-46,137.60	
Investment income of trading financial assets during holding period	1,382,405.99	
Investment income from disposal of trading financial assets	3,998,105.48	6,376,621.37
Total	10,417,475.41	4,646,023.78

50. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Trading financial assets	405,000.00	
Transactional financial liabilities	4,877,600.00	-28,481,010.00
Total	5,282,600.00	-28,481,010.00

51. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	597,634.52	
Bad debt loss of long-term receivables	-62,635.15	
Bad debt loss of accounts receivable	-1,065,950.68	

Total	-530,951.31	
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52. Asset Impairment Loss

Whether the Company has executed the new income standards

Yes No

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		-2,221,300.66
II. Inventory falling price loss	-1,543,199.38	99,805.82
Total	-1,543,199.38	-2,121,494.84

53. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Fixed asset disposal income	513,490.00	-522,286.65

54. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Gains from damage and scrap of non-current assets	16,961.25	12,598.97	16,961.25
Other	3,080,063.19	2,994,555.86	3,080,063.19
Total	3,097,024.44	3,007,154.83	3,097,024.44

55. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donations	102,676.14	7,246.70	102,676.14
Losses from damage and scrap of non-current assets	24,624.99	1,094,026.64	24,624.99
Other	2,087,055.41	893,650.37	2,087,055.41
Total	2,214,356.54	1,994,923.71	2,214,356.54

56. Income Tax Expense

(1) List of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	72,479,054.50	63,894,098.11
Deferred income tax expense	2,360,177.79	-618,583.54
Total	74,839,232.29	63,275,514.57

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

Unit: RMB

Item	Reporting Period
Profit before taxation	495,536,742.28
Current income tax expense accounted at statutory/applicable tax rate	76,149,895.40
Influence of applying different tax rates by subsidiaries	-1,773,914.98
Influence of non-taxable income	463,251.87
Income tax expense	74,839,232.29

57. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Government subsidies	31,316,634.62	38,328,491.16
Claim income	2,085,818.06	1,639,520.19
Recovery of employee borrowings, petty cash and deposit	10,419,971.60	7,332,632.94
Collection for employees	1,888,073.17	2,811,301.35
Other	772,153.13	8,718,571.06
Total	46,482,650.58	58,830,516.70

Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
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Freight and miscellaneous charges	27,584,811.06	30,263,702.56
Rental charges	10,519,175.31	5,121,075.62
Advertising expense	1,918,696.01	361,478.56
Business travel charges	11,411,011.08	17,701,778.95
Insurance	6,869,594.27	9,043,863.69
Audit advisory announcement fee	2,301,944.65	4,654,078.64
Decoration & repair expenses	82,537.34	1,092,271.20
Donation	22,546.59	207,152.51
Pre-payment	5,086,731.48	967,632.15
Payment of employee borrowings, petty cash and deposit	11,643,401.71	9,938,512.86
Other	14,392,971.31	33,511,070.15
Total	91,833,420.81	112,862,616.89

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Interest income	3,366,107.52	7,141,264.70
Income from forward foreign exchange	6,470,691.14	6,274,421.37
Sale of securities		
Option cost		112,450.00
Total	9,836,798.66	13,528,136.07

(4) Cash Used in Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
forward settlement exchange loss	4,874,724.40	0.00
Payment of deposit for the L/C of equipment purchase		0.00
Total	4,874,724.40	

(5) Cash Generated from Other Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Return of loan guarantees	10,000,000.00	17,200,000.00
Recovery of intercourse accounts	9,000,000.00	21,300,000.00
Government subsidies related to assets		817,500.00
Total	19,000,000.00	39,317,500.00

(6) Cash Used in Other Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Payment of the B-share buy-back amount	8,573,104.03	175,517,237.20
Payment of intercourse accounts	11,750,000.00	
Acquisition of minority shareholders' equity of subsidiaries	841,000.00	
Total	21,164,104.03	175,517,237.20

58. 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	420,697,509.99	390,164,336.95
Add: Provision for impairment of assets	2,074,150.69	2,121,494.84
Depreciation of fixed assets, oil-gas assets, and productive living assets	226,725,498.16	204,806,245.97
Amortization of intangible assets	9,965,756.01	8,762,435.07
Amortization of long-term prepaid expense	1,602,913.05	1,573,450.85
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-513,490.00	522,286.65
Losses from scrap of fixed assets (gains: negative)	7,663.74	1,081,427.67
Losses from changes in fair value (gains: negative)	-5,282,600.00	28,481,010.00
Finance costs (gains: negative)	47,673,100.23	29,182,177.28
Investment loss (gains: negative)	-10,417,475.41	-4,646,023.78
Decrease in deferred income tax assets (gains: negative)	2,508,867.66	-618,583.54
Increase in deferred income tax liabilities	-148,689.87	207,835.87

("-" means decrease)		
Decrease in inventory (gains: negative)	-221,528,624.76	103,831,822.46
Decrease in accounts receivable generated from operating activities (gains: negative)	-174,035,167.80	-10,014,110.37
Increase in accounts payable used in operating activities (decrease: negative)	-179,612,349.12	-56,853,595.15
Other		-817,500.00
Net cash generated from/used in operating activities	119,717,062.57	697,784,710.77
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Net increase/decrease of cash and cash equivalent:	--	--
Ending balance of cash	623,558,417.28	671,571,889.84
Less: beginning balance of cash	535,134,772.90	676,639,212.86
Net increase in cash and cash equivalents	88,423,644.38	-5,067,323.02

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	623,558,417.28	535,134,772.90
Including: Cash on hand	10,330,609.69	9,087,924.86
Bank deposit on demand	613,227,807.59	526,046,848.04
III. Ending balance of cash and cash equivalents	623,558,417.28	535,134,772.90

Other notes:

59. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	367,936.46	Cash deposit for L/G
Inventory	255,913,268.92	Mortgaged for short-term borrowings
Total	256,281,205.38	--

60. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary capital	--	--	
Of which: USD	56,059,601.32	6.8747	385,413,571.13
EUR	340,366.86	7.8170	2,660,647.74
HKD	12,602,313.98	0.8797	11,086,255.60
JPY	19,037,425.00	0.0638	1,214,587.71
KHR	166,654,000.00	0.0017	281,145.30
GBP	4,890.26	8.7113	42,600.52
CHF	83,706.92	7.0388	589,196.27
MMK	372,712,597.87	0.0045	1,691,369.77
Dong	187,133,620,846.00	0.000295	55,151,719.16
Accounts receivable	--	--	
Of which: USD	49,641,282.94	6.8747	341,268,927.83
EUR			
HKD	2,359,417.94	0.8797	2,075,579.96
Dong	28,012,243,808.00	0.000295	8,263,611.92
Long-term borrowings	--	--	
Of which: USD			
EUR			
HKD			
Notes receivable:			
Of which: USD	19,386,890.73	6.8747	133,279,057.70
Other receivables:			
Of which: USD	119,012.24	6.8747	818,173.45
HKD	176,099.00	0.8797	154,914.29
JPY	1,395,040.00	0.0638	89,003.55
EUR	14,900.00	7.8170	116,473.30
GBP	5,500.00	8.7113	47,912.15
MMK	1,100,000.00	0.0045	4,991.80
Dong	3,960,169,897.16	0.000295	1,168,250.12
THB	90,000.00	0.2234	20,106.00
SEK	4,000.00	0.7413	2,965.20
Accounts payable:			

Of which: USD	7,344,664.60	6.8747	50,492,365.73
JPY	63,617,639.84	0.0638	4,058,805.42
EUR	232,471.26	7.8170	1,817,227.84
MMK	32,518,917.00	0.0045	147,570.85
Dong	17,687,649,147.08	0.000295	5,217,856.50
Other payables:			
Of which: USD	96,280.00	6.8747	661,896.12
HKD	15,453,832.54	0.8797	13,594,736.49
Dong	314,954,542.00	0.000295	92,911.59
Short-term borrowings:			
Of which: USD	154,005,393.52	6.8747	1,058,740,878.83
Dong	33,348,817,526.00	0.000295	9,837,901.17
Current portion of long-term borrowings :			
Of which: USD	20,987,499.66	6.8747	144,282,763.91

Other notes:

(2) Notes to Overseas Entities Including: for Significant Oversea Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.

√ Applicable □ Not applicable

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

61. Government Subsidy

(1) Basic Information on Government Subsidy

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Subsidies for transferring Xinjiang cotton yarn to warehouses out of Xinjiang	1,034,400.00	Other income	1,034,400.00
Subsidy for export credit insurance premium	127,700.00	Other income	127,700.00
Return of service charge for withholding and remitting tax	131,712.26	Other income	131,712.26

Government subsidy for award in single champion demonstration enterprise	2,000,000.00	Other income	2,000,000.00
Local financial support for contributions	500,000.00	Other income	500,000.00
Electricity fee subsidy	646,950.00	Other income	646,950.00
Industry fund for quality and efficiency improvement and energy conservation	100,000.00	Other income	100,000.00
Social insurance subsidy of preferential policy for strengthening local enterprise development	112,900.00	Other income	112,900.00
R&D subsidy for preferential policy for strengthening local enterprise development	4,780,600.00	Other income	4,780,600.00
Special fund for energy conservation and consumption reduction	300,000.00	Other income	300,000.00
Special fund for development and innovation in science and technology	400,000.00	Other income	400,000.00
Government subsidy for innovation award in science and technology conference	300,000.00	Other income	300,000.00
Special fund for integration of “information technology and industrialization”	100,000.00	Other income	100,000.00
Subsidies for transferring cotton yarn to warehouses	2,262,912.65	Other income	2,262,912.65
Subsidy for enterprise management and consultation	84,000.00	Other income	84,000.00
Special fund for enterprise management and consultation	200,000.00	Other income	200,000.00
Support fund for leading talent	300,000.00	Other income	300,000.00
Science and technology award in Shandong Province	300,000.00	Other income	300,000.00
Subsidy for purchase of equipments	1,229,500.00	Other income	1,229,500.00
Social insurance subsidy	1,057,011.68	Other income	1,057,011.68
Deductible of input VAT on production and consumer services	13,377.37	Other income	13,377.37
Provincial industry fund for quality and efficiency improvement and energy conservation	1,000,000.00	Other income	1,000,000.00
Subsidy for municipal-level industrial design center	100,000.00	Other income	100,000.00
Fund of municipal-level talents introduce major project	300,000.00	Other income	300,000.00
Subsidy fund for leading persons (innovation in	2,000,000.00	Other income	2,000,000.00

traditional industries) of Mount Tai industry			
Subsidy for leading talent of Mount Tai industry	50,000.00	Other income	50,000.00
Support fund of effective application in leading persons program of Mount Tai industry	100,000.00	Other income	100,000.00
Fund for leading persons of Mount Tai	20,000.00	Other income	20,000.00
Special government subsidy for development of foreign trade and commerce	25,400.00	Other income	25,400.00
Subsidy for stabilizing posts	5,905,352.00	Other income	5,905,352.00
Social insurance for employing people with job hunting difficulties	31,718.66	Other income	31,718.66
Matching subsidy fund for support of gifted and talented persons	200,000.00	Other income	200,000.00
Central special fund for development of foreign trade and commerce	780,000.00	Other income	780,000.00
Central special credit insurance subsidy for development of foreign trade and commerce	285,700.00	Other income	285,700.00
Central special exhibition subsidy for development of foreign trade and commerce	228,000.00	Other income	228,000.00
Subsidy for patent	122,000.00	Other income	122,000.00
Subsidy for leading talent of chief technician in Zibo	10,000.00	Other income	10,000.00
Subsidy for equipments in top 30 industry project	382,400.00	Deferred income	
Subsidy fund for leading persons project of Mount Tai industry	2,900,000.00	Deferred income	
Subsidy fund for support of gifted and talented persons of Zibo City	400,000.00	Deferred income	
Subsidy for equipments of 30 strong industrial counties project	495,000.00	Deferred income	
Total	31,316,634.62		27,139,234.62

(2) Return of Government Subsidy

Applicable Not applicable

VIII. Changes of Consolidation Scope

1. Other

Shandong Lulian New Materials Co., Ltd. (hereinafter refer to as “Lulian New Materials”) and Lu Thai (Tan Chau) Textile Co., Ltd.

(hereinafter refer to as “Lu Thai Tan Chau”) were incorporated as a subsidiary and a sub-subsidiary of the Company respectively during the Reporting Period.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Lulian New Materials	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Shanghai Zhinuo	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Xinjiang Luthai	Xinjiang	Xinjiang	Manufacturing industry	59.92%		Business combination not under the same control
Lufeng Weaving & Dyeing	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Xinjiang Textile (sub-subsidiary)	Xinjiang	Xinjiang	Manufacturing industry		59.92%	Set-up
Beijing Youxian	Beijing	Beijing	Wholesale and retail industry	100.00%		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 Thai Tan Chau (sub-subsidiary)	Vietnam	Vietnam	Manufacturing industry		100.00%	Set-up
Lu An Garments	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Xinjiang Luthai	40.08%	-4,676,260.97		195,960,043.78
Lufeng Weaving & Dyeing	25.00%	13,939,054.37	50,000,000.00	341,968,692.25

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

Unit: RMB

Name	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Xinjiang Luthai	393,133,252.63	553,241,390.51	946,374,643.14	433,309,416.90	4,653,818.92	437,963,235.82
Lufeng Weaving & Dyeing	798,971,361.50	834,854,304.45	1,633,825,665.95	229,786,770.43	32,709,678.66	262,496,449.09
Name	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Xinjiang Luthai	577,801,870.44	569,395,421.71	1,147,197,292.15	628,672,392.36	4,814,373.04	633,486,765.40
Lufeng Weaving & Dyeing	908,054,381.50	820,360,513.63	1,728,414,895.13	176,914,108.80	33,049,234.56	209,963,343.36

Unit: RMB

Name	Reporting Period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Xinjiang	314,368,667.80	-5,299,119.43	-5,299,119.43	30,794,222.48

Luthai				
Lufeng Weaving & Dyeing	805,575,459.05	52,877,665.09	52,877,665.09	106,151,171.66
Name	Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Xinjiang Luthai	342,127,462.81	3,505,617.21	3,505,617.21	96,172,947.55
Lufeng Weaving & Dyeing	793,449,942.60	28,734,401.92	28,734,401.92	16,773,852.80

2. Equity in Joint Ventures or Associated Enterprises

(1) Significant Joint Ventures or Associated Enterprises

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	
Haohong Investment	Ningbo	Ningbo	Equity investment	33.33%		Equity method

(2) Main Financial Information of Significant Joint Ventures

Unit: RMB

	Ending balance/Reporting Period	Beginning balance/The Same period of last year
Current assets	14,291,970.20	100,703,096.38
Non-current assets	287,801,958.52	186,140,002.64
Total assets	302,093,928.72	286,843,099.02
Current liabilities	150,000.00	150,000.00
Total liabilities	150,000.00	150,000.00
Equity attributable to shareholders of the Company as the parent	301,943,928.72	286,693,099.02
Net assets shares calculated at the shareholding proportion	100,637,911.44	95,554,809.90
Carrying value of investment to associated enterprises	100,637,911.44	95,554,809.90

Net profit	15,250,829.70	-5,192,312.01
Total comprehensive income	15,250,829.70	-5,192,312.01

X. The Risk Related to Financial Instruments

Main financial instruments of the Company included: Loans, accounts receivable, accounts payable, etc., all the details of the financial instruments, see related projects of “Section VII”. The risk associated with these financial instruments, as well as the Company’s risk management policy to reduce these risks which were described below. The Company’s management managed and supervised these risks to ensure that the above risk was controlled in a limited scope.

The Company use sensitivity analysis technology to analyze the reasonable of risk variables, influence of probable changes to the current profits and Stockholders' equity. Because rarely any risk variables change in isolation, and the correlation between variables for the eventual impact of the change of a risk variables will have a significant effect, thus, the aforesaid content was processing under the assumption of the change of each variable was conducted independently.

(I) Risk management objectives and policies

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

1. Market Risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The Company’s foreign exchange risk was mainly related to USD, HKD and EUR, excepting the Company’s several subsidiaries purchase and sale, in USD, HKD and Dong, the other main business settled by RMB. On 30 December 2018, in addition to the following assets or liabilities in statement was USD, HKD and EUR, the Company’s assets or liabilities was RMB balance. The foreign exchange risk incurred by assets and liabilities of foreign balance may have impact to the operation results of the Company.

Item	Period-end	Period-beginning
Cash and cash equivalents	458,131,093.20	216,061,990.69
Notes receivable	133,279,057.70	102,441,924.87
Account receivable	351,608,119.71	306,659,681.14
Other receivables	2,422,789.86	1,687,612.64
Accounts payable	61,733,826.33	39,150,734.53
Other payables	14,349,544.19	1,622,838.36
Short-term borrowings	1,068,578,780.00	690,273,780.05
Current portion of long-term borrowings	144,282,763.91	
Long-term borrowings		170,019,083.89

(2) Interest rate risk

The risk of cash flow changes of financial instruments due to change of interest rate mainly was related bank loan (for details, refer to Note VII-23 and 32).

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	-8,018,035.88	-6,795,539.51	-3,208,984.32	-1,891,755.11
Decrease 100 BP	8,018,035.88	6,795,539.51	3,208,984.32	1,891,755.11

2. Credit Risk

On 30 June 2019, maximum credit risk what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company's financial assets, which including: book value of financial assets recognized in consolidated balance sheet.

In order to reduce the credit risk, the Company established a special team be responsible for the determination of credit limit to conduct credit approval, and perform other supervising procedures to ensure that taking necessary measures to recycle expired claims. In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

The Company's working capital was in bank with higher credit rating, so credit risk of working capital was low.

3. Liquidity Risk

When manage liquidity risk, the Company keep administrators deemed sufficient cash and cash equivalents and supervised it to meet the need of the operation of the Company and reduce the influence of cash flow volatility. The Company management supervised the usage of bank loan and ensured to comply with the loan agreement.

In the end of Reporting Period, the Company held cash and bank deposit of RMB624 million. In recent two years, the average of net cash flow of operation activities was RMB1.25 billion. The Company believed that the liquidity risk was insignificant.

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
1. Financial assets at fair value through profit or loss		62,164,515.95		62,164,515.95
(1) Debt instrument investment		31,146,000.00		31,146,000.00
(2) Equity instrument investment		31,018,515.95		31,018,515.95
The total amount of assets consistently measured at fair value	0.00	62,164,515.95		62,164,515.95

The total amount of assets inconsistently measured at fair value	--	--	--	--
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2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The fair value of financial liabilities at level 1 was determined in accordance with the quotation of future foreign exchange of the bank on 30 June 2019.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 2

For the fund and equity investment without active markets in trading financial assets, the fair value was determined in accordance with the evaluation on the balance sheet date provided by the asset manager and appraisal value of assessment agency to the investment company.

XII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Zibo Lucheng Textile Investment Co., Ltd.	Zibo	Textile, chemistry and investment	RMB63.26 million	16.36%	16.36%

Notes: information on the Company as the parent

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

2. Subsidiaries of the Company

Refer to Note IX-1. Equity in Subsidiaries.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note IX-2. Equity in Joint Ventures or Associated Enterprises for Details of Significant Joint Ventures or Associated Enterprises of the Company.

4. Information on Other Related Parties

Name	Relationship with the Company
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Joint-stock company of the Company as the parent
Zibo Taimei Ties Co., Ltd. (hereinafter called Taimei Ties)	Majority-owned subsidiary of the Company as the parent
Zibo Limin Purified Water Co., Ltd. (hereinafter called Limin Purified Water)	Wholly-owned subsidiary of the Company as the parent
Zibo Luqun Land Co., Ltd (hereinafter called Luqun Land)	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as Lurui Chemical)	Wholly-owned subsidiary of the Company as the parent
Zibo Lujia Property Management Co., Ltd. (hereinafter referred to as Lujia Property)	Wholly-owned subsidiary of the Company as the parent
Hong Kong Tung Hoi International Company Limited (hereinafter called Tung Hoi International)	Wholly-owned subsidiary of the Company as the parent
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Wholly-owned subsidiary of the Company as the parent

Other notes

5. List of Connected Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Towels, socks, oils, supermarket retail, welfare, electronics, computer equipment, computer supplies, paper cores, boot etc.	6,177,619.85	7,210,000.00	No	6,462,966.30
Limin Purified Water	Sewage treatment, materials	11,140,353.11	13,300,000.00	No	12,624,335.83
Chengshun Petrochemical	Gas	22,728,978.86	27,000,000.00	No	15,016,102.73
Lurui Fine Chemical	Auxiliaries	57,285,041.23	69,000,000.00	No	53,067,182.08

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
Lucheng Textile	Sales of materials, electricity, running water, draught water, gas, LED light etc.	56,265.15	62,734.54
Lucheng Textile	Sales of grey yarn, dyed yarn, garment etc.	252,090.27	205,267.94
Stanluian Company	Sales of materials, electricity, and running water		6,926.79
Limin Purified Water	Sales of materials, garment, LED light etc.	865,399.14	72,279.13
Lurui Fine Chemical	Sales of garment, LED light, shell fabric, yarn, water&electricity, lunch components	155,742.15	88,729.05
Lujia Property	Sales of recycled water and materials etc.	45,794.67	35,871.66

(2) Information on Related-party Lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in the Reporting Period	The lease income confirmed in the Same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Houses and buildings	36,108.00	48,965.14
Lurui Fine Chemical	Houses and buildings	4,091.82	4,091.82

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in the Reporting Period	The lease fee confirmed in the Same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land	1,807,428.60	1,807,428.60
Zibo Lucheng Textile Investment Co., Ltd.	Rent of gas station	250,857.12	250,857.12
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land and buildings	5,511,114.30	5,748,600.80
Luqun Property	Rent of land and buildings	697,142.82	697,142.82

Notes

(3) Information on Inter-bank Lending of Capital of Related Parties

Unit: RMB

Related party	Amount	Start date	End date	Note
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Borrowing				
Zibo Lucheng Textile Investment	9,000,000.00	8 April 2019	31 December 2019	Borrowed by the Company's subsidiaries Xinsheng Power

6. Accounts Receivable and Payable of Related Party

(1) Accounts Payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
Accounts payable	Lurui Fine Chemical	1,839,807.21	0.00
Other payables	Zibo Lucheng Textile Investment Co., Ltd.	121,520,000.00	127,139,981.30
Other payables	Lujia Property	600,000.00	646,472.50
Other payables	Stanluian Company		1,537,779.37
Other payables	Taimei Ties		1,420,277.49

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on Balance Sheet Date

Capital commitments

Item	Ending balance (RMB'0,000)	Beginning balance (RMB'0,000)
Commitments signed but hasn't been recognized in financial statements		
-- Commitment on constructing and purchasing long-lived assets	20,965.65	4528.59
Total	20,965.65	4528.59

2. Contingency

(1) In Despite of no Significant Contingency to Disclose, the Company Shall Also Make Relevant Statements

There was no significant contingency in the Company to disclose.

XIV. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Of which:										
Accounts receivable withdrawal of bad debt provision by the group	389,210,047.23	100.00%	19,544,871.22	5.02%	369,665,176.01	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28
Of which:										
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics	389,210,047.23	100.00%	19,544,871.22	5.02%	369,665,176.01	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28
Total	389,210,047.23	100.00%	19,544,871.22	5.02%	369,665,176.01	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28

Bad debt provisions established on the group basis: Accounts receivable of which bad debt provisions are established by credit risk characteristics

Unit: RMB

Item	Ending balance		
	Carrying amount	Bad debt provision	Bad debt provision ratio
Accounts receivable of which bad debt provisions are established by credit risk	389,210,047.23	19,544,871.22	5.02%
Total	389,210,047.23	19,544,871.22	--

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of notes receivable.

Applicable Not applicable

List by Aging Analysis

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	388,811,793.55
1 to 2 years	63,890.76
2 to 3 years	24,164.00
Over 3 years	310,198.92
Total	389,210,047.23

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

Bad debt provision withdrawn, reversed or recovered in the Reporting Period:

Unit: RMB

Category	Beginning balance	Changes in the current period			Ending balance
		Withdrawal	Reversal or recovery	Write-off	
Bad debt provision	16,727,660.22	2,837,798.47		20,587.47	19,544,871.22
Total	16,727,660.22	2,837,798.47		20,587.47	19,544,871.22

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

Unit: RMB

Item	Amount verified
Accounts receivable actually verified	20,587.47

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

The total top 5 accounts receivable in ending balance collected according to the arrears party for the Company was RMB93,127,293.09, accounting for 23.93% of total ending balance of accounts receivable, and the total accounts receivable correspondingly withdrawn was RMB4,656,364.65.

2. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	555,969,515.96	395,847,213.77
Total	555,969,515.96	395,847,213.77

(1) Other Receivables

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	528,177,166.18	358,031,837.54
Export rebates	14,358,034.64	22,505,284.46
Payment on behalf	9,931,697.40	13,005,358.64
Guarantee deposit and cash deposit	3,542,120.21	3,221,373.64
Borrowings and petty cash	1,971,342.94	1,774,825.33
Other	445,867.85	69,421.93
Total	558,426,229.22	398,608,101.54

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	2,760,887.77			2,760,887.77
Balance of 1 January 2019 in the current period	—	—	—	—
Withdrawal of the current period	-304,174.51			-304,174.51
Balance of 30 June 2019	2,456,713.26			2,456,713.26

Changes of carrying amount with significant amount changes in loss provision in the current period

 Applicable Not applicable

List by Aging Analysis

Unit: RMB

Aging	Ending balance
Within 1 year (including 1 year)	24,976,875.42
1 to 2 years	736,675.11
2 to 3 years	2,264,517.79
Over 3 years	2,270,994.72
Total	30,249,063.04

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

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

Unit: RMB

Category	Beginning balance	Changes in the current period		Ending balance
		Withdrawal	Reversal or recovery	
Bad debt provision	2,760,887.77	-304,174.51		2,456,713.26

Total	2,760,887.77	-304,174.51		2,456,713.26
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4) Particulars of Other Receivables with Actual Verification

Unit: RMB

Item	Amount
Accounts receivable actually verified	0.00

5) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
Lu Thai (Vietnam)	Intercourse funds	441,878,476.51	Within 1 year	79.13%	
Lu An Garments	Intercourse funds	86,298,689.67	Within 1 year	15.45%	
Refund of tax for export receivable	Export rebates	14,358,034.64	Within 1 year	2.57%	717,901.73
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	7,635,619.56	Within 1 year	1.37%	381,780.98
Cash deposit for salary of migrant workers in Zichuan district of Zibo city	Cash deposit for salary of migrant workers for construction work	1,458,593.50	Over 3 years	0.26%	437,578.05
Total	--	551,629,413.88	--	98.78%	1,537,260.76

3. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	2,422,615,316.04		2,422,615,316.04	2,069,693,116.04		2,069,693,116.04
Investment to joint ventures and associated enterprises	100,637,911.44		100,637,911.44	95,554,809.90		95,554,809.90

Total	2,523,253,227.48		2,523,253,227.48	2,165,247,925.94		2,165,247,925.94
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(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance	Increase	Decrease	Ending balance	Depreciation reserve withdrawn	Ending balance of depreciation reserve
Xinjiang Luthai	147,303,034.16			147,303,034.16		
Xinsheng Power	176,340,737.93			176,340,737.93		
Lufeng Weaving & Dyeing	529,620,000.00			529,620,000.00		
Luqun Textile	171,784,550.00			171,784,550.00		
Luthai (Hong Kong)	128,771,800.00			128,771,800.00		
Shanghai Luthai	20,000,000.00			20,000,000.00		
Lu Thai (Cambodia)	108,242,335.38			108,242,335.38		
Lu Thai (America)	10,209,050.00			10,209,050.00		
Lu Thai (Burma)	62,337,238.57			62,337,238.57		
Beijing Youxian	18,000,000.00	841,000.00		18,841,000.00		
Lu Thai (Vietnam)	632,855,310.00	202,081,200.00		834,936,510.00		
Lu An Garments	64,229,060.00			64,229,060.00		
Lulian New Materials		150,000,000.00		150,000,000.00		
Total	2,069,693,116.04	352,922,200.00		2,422,615,316.04		

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance	Increase/decrease								Ending balance	Ending balance of depreciation reserve
		Additi onal invest ment	Redu ced invest ment	Gains and losses recognized under the equity method	Adjustm ent of other compreh ensive income	Change s of other equity	Cash bonus or profits announce d to issue	Withdr awal of impair ment provisi	Other		

								on			
II. Associated enterprises											
Haohong Investment	95,554,809.90			5,083,101.54						100,637,911.44	
Subtotal	95,554,809.90			5,083,101.54						100,637,911.44	
Total	95,554,809.90			5,083,101.54						100,637,911.44	

4. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	2,354,610,227.06	1,732,468,733.73	2,360,871,867.81	1,740,109,055.52
Other operations	133,719,339.31	115,399,718.04	142,916,982.83	121,295,410.17
Total	2,488,329,566.37	1,847,868,451.77	2,503,788,850.64	1,861,404,465.69

Whether the Company has executed the new income standards

 Yes No

Other notes:

5. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	150,000,000.00	
Long-term equity investment income accounted by equity method	5,083,101.54	-1,730,597.59
Investment income of trading financial assets during holding period	1,382,405.99	
Investment income from disposal of trading financial assets	463,217.37	3,648,000.52
Total	156,928,724.90	1,917,402.93

XV. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

 Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of non-current assets	459,688.66	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	32,226,225.91	
Gain/loss from change of fair value of trading financial assets and liabilities, and derivative financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, derivative financial assets and liabilities, and other equity investment, other than valid hedging related to the Company's common businesses	10,663,111.47	
Other non-operating income and expense other than the above	890,331.64	
Less: Income tax effects	6,167,989.87	
Non-controlling interests effects	3,441,687.15	
Total	34,629,680.66	--

Explain the reasons if the Company classifies an item as an non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Non-recurring Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

Applicable Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-basic
Net profit attributable to ordinary shareholders of the Company	5.70%	0.48	0.48
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	5.22%	0.44	0.44

Part XI Documents Available for Reference

1. The financial statements signed and stamped by the Company's legal representative, Chief Accountant and Financial Manager;
2. The originals of all the Company's announcements and documents disclosed to the public during the Reporting Period on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

3 August 2019