



LUTHAI TEXTILE CO., LTD.
2013 SEMI- ANNUAL REPORT

August 2013

Section I. Important Notes, Contents & Explanation

The Board of Directors, the Supervisory Committee, directors, supervisors and senior management staff of Luthai Textile Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false record or misleading statement or omit any material fact and shall hereby accept, individually and collectively, responsibility for the factuality, accuracy and completeness of the contents carried in this report.

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

No cash dividends, bonus shares will be granted and no capital reserve will be turned into share capital in the company.

Liu Shizhen, company principal, Zhang Hongmei, chief of the accounting work, and Zhang Keming, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

This report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

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Explanation

Term	Refers to	Contents
Issuer, Company, the Company	Refers to	Luthai Textile Co., Ltd.
The Board of Directors	Refers to	The Board of Directors of Luthai Textile Co., Ltd.
The Supervisory Committee	Refers to	The Supervisory Committee of Luthai Textile Co., Ltd.
CSRC	Refers to	China Securities Regulation Commission
Yuan, Ten thousand	Refers to	RMB Yuan, RMB Ten thousand
The “Company Law”	Refers to	The “Company Law of the People’s Republic of China”
The “Securities Law”	Refers to	The “Securities Law of the People’s Republic of China”
Reporting period	Refers to	1 Jan. 2013-30 Jun. 2013

Section II. Company Profile

I. Basic information of the Company

Stock abbreviation	LTA, LTB	Stock code	000726, 200726
Stock abbreviation after change (if any)	N/A		
Stock exchange listed with	Shenzhen Stock Exchange		
Chinese name of the Company	鲁泰纺织股份有限公司		
Abbr. of the Chinese name of the Company	鲁泰纺织		
English name of the Company (if any)	LUTHAI TEXTILE CO., LTD		
Abbr. of the English name of the Company (if any)	LTTC		
Legal representative of the Company	Liu Shizhen		

II. For Contact

	Company Secretary	Securities Affairs Representative
Name	Qin Guiling	Zheng Weiyin
Contact 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.	0533-5285166	0533-5285166
Fax	0533-5418805; 5282188-234	0533-5418805
E-mail	qinguilin@lttc.com.cn	wyzheng@lttc.com.cn

III. Other information

1. Ways to contact the Company

Did any change occur to the registered address, office address and their postal codes, website address and email address of the Company during the reporting period?

Applicable Inapplicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the reporting period. The said information can be found in the 2012 Annual Report.

2. About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the reporting period?

Applicable Inapplicable

The newspapers designated by the Company for information disclosure, the website designated by CSRC for disclosing this report and the location where this report is placed did not change during the reporting period. The said information can be found in the 2012 Annual Report.

3. Change of the registered information

Did any change occur to the registered information during the reporting period?

Applicable Inapplicable

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
Registration at the beginning of the reporting period	24 Nov. 2011	Zibo Municipal Administration Bureau for Industry and Commerce	370300400002843	370302613281175	61328117-5
At the end of the reporting period	08 Jun. 2013	Zibo Municipal Administration Bureau for Industry and Commerce	370300400002843	370302613281175	61328117-5

4. Other relevant information

Did any change occur to other relevant information during the reporting period?

Applicable Inapplicable

Section III. Accounting & Financial Highlights

I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

Yes No

	Reporting period	Same period of last year	YoY +/- (%)
Operating revenues (RMB Yuan)	3,060,495,255.17	2,808,025,564.76	8.99%
Net profit attributable to shareholders of the Company (RMB Yuan)	416,175,890.38	301,503,288.19	38.03%
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	393,419,324.10	302,733,028.86	29.96%
Net cash flows from operating activities (RMB Yuan)	490,746,920.17	417,039,467.46	17.67%
Basic EPS (RMB Yuan/share)	0.43	0.3	43.33%
Diluted EPS (RMB Yuan/share)	0.43	0.3	43.33%
Weighted average ROE (%)	7.6%	5.79%	1.81%
	As at the end of the reporting period	As at the end of last year	YoY +/- (%)
Total assets (RMB Yuan)	7,952,627,112.25	8,153,279,084.33	-2.46%
Net assets attributable to shareholders of the Company (RMB Yuan)	5,401,065,428.89	5,268,701,258.26	2.51%

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

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

Unit: RMB yuan

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Reporting period	Same period of last year	Closing amount	Opening amount
According to Chinese accounting standards	416,175,890.38	301,503,288.19	5,401,065,428.89	5,268,701,258.26
Items and amounts adjusted according to international accounting standards				
According to international accounting standards	842,500.00	859,000.00	-3,960,500.00	-4,803,000.00
According to Chinese accounting standards	417,018,390.38	302,362,288.19	5,397,104,928.89	5,263,898,258.26

2. Explain reasons for the differences between accounting data under domestic and overseas accounting standards

1. Effects of domestic equipment exempted from income tax

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

III. Items and amounts of extraordinary gains and losses

Unit: RMB yuan

Item	Amount	Explanation
Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions)	2,240,764.90	
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 country's unified standards	12,871,925.92	
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	15,931,196.42	
Non-operating income and expense other than the above	2,073,308.09	
Less: income tax effects	6,234,507.70	
Minority interests effects (after tax)	4,126,121.35	
Total	22,756,566.28	--

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

Applicable Inapplicable

Section IV. Report of the Board of Directors

I. Overview

In the reporting period, the global economy has not yet got rid of the deep influence of the world financial crisis. Though the demand for the textile and garment industry has grown, the overall recovery process is slow. The textile and garment industry is facing low international demand, slow growth of domestic demand, big difference of rising cost of production factors between inside and outside cotton price, and a series of problems, which lead to pressure of the product raising price. On the basis of overcome the aforesaid disadvantages, the Company gave full play to its own whole industrial chain advantage, adhered to independent research and development and innovation, and further promoted excellence in performance management, the technology innovation, cost control, marketing brand construction, informationization and enterprise culture construction continued to maintain the healthy and stable development, realized the steady growth in operating performance during the reporting period.

For the reporting period, the Company achieved operating revenues of RMB 3,060.4953 million, operating profit of RMB 496.0669 million, net profit attributable to common share holders of RMB 416.1759 million and net profit attributable to shareholders of the Company of RMB 393.4193 million after deducting extraordinary gains and losses, up 8.99%, 45.86%, 38.03% and 29.96% respectively from the same period of last year.

During the reporting period, there were no change in the main business of the Company, main profit source and composition.

During the reporting period, facing the severe situation of international and domestic market, the Company insists on practicing internal strength, continued to conduct the research and innovation, promoted research and development ability, strengthened the differentiation of product development, emphasized leisure product development, g at the same time, strengthen cooperation between the design , marketing and research and development employees to meet customers' demand, improve service quality, and constantly strengthen the technical research, solved producing problems, and the above work had achieved good results. During the reporting period, the design of new product 85 series which involving 461 designs and color, the new product research, development of new technology, promoting new products the order quantity had moved forward. The Company has been formed by natural fiber fabrics as the main line, multicomponent functional fiber fabrics as the lead and washable and wearable super durable press technology as the core, and the development of functional and health goals as the product system which further satisfy the individual and diverse market demand.

During the reporting period, the national center for enterprise technology innovation ability has passed the site acceptance of Shandong Province Development and Reform Commission and at the same time the Company has passed the random audit work of high and new technology enterprise by the National Ministry of Science and Technology, the Ministry of Finance and State Administration of Taxation.

During the reporting period, "lutai LT GRFF brand cotton greige cloth and shirts" was identified as the Shandong famous brand products in Shandong province famous brand strategy promotion committee. The Company continued to promote the brand and marketing network construction. In network marketing, lutai online cooperate with many famous electric business, such as participating in promotion such as Shan Rong Mall, Taobao full discount, daily special discounts etc. and promote the research and extension of network sales model.

In the promotion of brand of LT GRFF in the entity shop, two stores in Yantai Yinzuo have been completed during the reporting period, expansion, site selection and the opening of store located at the airport of Jinan Wanda, and completed the expansion and decoration of Taian Yinzuo counters and enhanced the image of the brand. The

Company still insists dual brand marketing strategy to promote brand in the future, and keeps the multi-brand development pattern, clear brand positioning, hierarchical promotion, and outstanding quality, reflects the brand concept of 'fit' 'satisfy', and constantly attracts consumer's attention and recognition.

II. Main business analysis

Overview

In the reporting period, the operating revenue increased by 8.99% comparing to the same period last year, at the same time, the operating cost, and sale expense increased by 6.3% and 6.03% and income tax 68.17%; the interest tax expense decreased which made the financial expense decreased 33.76%. In the reporting period, the cash of the Company purchasing the construction assets, intangible assets and other long-term assets decreased, which made the net amount of cash flow of investment activities increased 50.98% compare to the same period last year; the cash of loan received decreased which made the net amount of cash flow of raised fund activities decreased by 69.17%.

Change of major financial data:

Unit: RMB yuan

	Reporting period	Same period of last year	YoY +/-%	Main reasons for change
Operating revenues	3,060,495,255.17	2,808,025,564.76	8.99%	
Operating costs	2,184,574,937.90	2,055,106,728.52	6.3%	
Selling expenses	81,811,840.15	77,160,291.09	6.03%	
Administrative expenses	260,822,329.39	281,403,771.58	-7.31%	
Financial expenses	24,336,940.28	36,737,830.95	-33.76%	The interest decreased in the reporting period
Income tax expenses	83,692,908.10	49,766,218.79	68.17%	increased amount of tax income
R&D input	115,069,711.84	134,443,313.63	-14.41%	
Net cash flows from operating activities	490,746,920.17	417,039,467.46	17.67%	
Net cash flows from investing activities	-194,568,887.89	-396,954,803.19	50.98%	The decrease cash of construction of fixed assets, intangible assets and other long-term assets
Net cash flows from financing activities	-663,791,817.68	-392,390,736.41	-69.17%	Cash of loan decreased
Net increase in cash and cash equivalents	-369,296,420.31	-371,469,039.82	0.58%	

Major changes to the profit structure or sources of the Company during the reporting period:

Applicable Inapplicable

No major changes occurred to the profit structure or sources of the Company during the reporting period.

Reporting period progress of the future development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

Applicable Inapplicable

The Company did not mention any future planning for the reporting period in its disclosed documents such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.

Review the progress of the previously disclosed business plan in the reporting period:

III. Breakdown of main business

Unit: RMB yuan

	Operating revenues	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenues over the same period of last year (%)	Increase/decrease of operating costs over the same period of last year (%)	Increase/decrease of gross profit rate over the same period of last year (%)
Classified by industry:						
Textile and Apparel	2,616,382,415.59	1,820,282,658.11	30.43%	4.53%	0.92%	2.49%
Cotton	222,917,964.19	196,699,415.84	11.76%	309.16%	342.44%	-6.64%
Electricity and steam	102,696,182.88	85,247,430.26	16.99%	8.68%	-3.81%	10.78%
Other	34,714,401.58	28,892,231.74	16.77%	-52.14%	-56.97%	9.35%
Classified by product:						
Fabric Products	2,034,521,635.12	1,427,276,223.26	29.85%	9.05%	3.74%	3.59%
Shirts	581,860,780.47	393,006,434.85	32.46%	-8.69%	-8.14%	-0.4%
cotton	222,917,964.19	196,699,415.84	11.76%	309.16%	342.44%	-6.64%
Electricity and steam	102,696,182.88	85,247,430.26	16.99%	8.68%	-3.81%	10.78%
Other	34,714,401.58	28,892,231.74	16.77%	-52.14%	-56.97%	9.35%
Classified by region:						
Hong Kong	224,302,228.93	157,348,013.59	29.85%	-21.47%	-25.3%	3.59%
Japan And South Korea	229,106,611.11	157,602,520.53	31.21%	-9.22%	-10.9%	1.3%
Southeast Asia	756,460,493.16	530,619,265.08	29.85%	26.72%	20.54%	3.59%
Europe and America	472,572,057.53	322,753,717.65	31.7%	-13.72%	-14.99%	1.03%
Other	348,347,623.44	243,824,599.27	30.01%	15.1%	9.96%	3.27%
Domestic	945,921,950.07	718,973,619.84	23.99%	27.98%	25.09%	1.75%

IV. Core competitiveness analysis

The Company's comprehensive management ability, research and development ability, and the whole industry chain are the company's core competitiveness, which did not change during the reporting period.

V. Investment analysis

1. Wealth management entrustment, derivative investments and entrustment loans

(1) Derivative investments

Unit: RMB ten thousand yuan

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/loss in reporting period
commercial bank	non-associate	No	The forward foreign exchange settlement	284,547.83	1 Jan. 2013	2 Apr. 2014	95,484.23	0	158,811.56	27.38%	1,791.09
commercial bank	non-associate	No	Purchase of foreign Currency at forward exchange	1,683.49	9 Apr. 2013	4 Jun. 2013	0	0	0		-26.12

			ge rate								
commercial bank	non-associate	No	interest-rate swap	11,986.43	17 Jun. 2013	13 Dec. 2013	0		11,986.43	2.07%	
Total				298,217.66	--	--	95,484.23	0	170,797.99	29.45%	1,764.97
Capital source for derivative investment				Self-owned funds							
Cases involving lawsuit (if applicable)				No							
Disclosure date of the board announcement approving the wealth management entrustment (if any)				17 Feb. 2012							
Disclosure date of the general meeting announcement approving the wealth management entrustment (if any)				6 Mar. 2012							
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)				<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as risk of laws and regulations, credit risk, operation risk and market risk.</p> <p>1. Risk of laws and regulations:</p> <p>The Company conducted derivatives products transaction in strict accordance with relevant laws and rules as well as regulatory policies from government securities regulatory authorities, if there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed.</p> <p>Precautionary measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction, formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products investment business, and strictly abided by relevant laws, regulations and the Company's internal management rules.</p> <p>2. Credit risk and liquidity risk:</p> <p>When the contract matures, the Company couldn't deliver as scheduled due to insufficient liquidity, and the counterparty or the Company couldn't fulfill the contract due to other aspects except the liquidity, which would cause credit risk and further economic losses for the Company.</p> <p>Precaution measure: the Company chose the powerful financial institutions with good reputation as the counterparty, and signed standard derivative products transaction contract, as well as strictly controlled the credit risk of counterparty. The Company conducted derivative investment transactions according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Investment of Luthai Textile Co., Ltd. and the Plan for Derivative Transactions in 2012 approved at the First Special Session of the Shareholders' General Meeting for 2012 on 5 Mar. 2012, and performed relevant information disclosure responsibilities. The Company decided the up limit for the amount of derivative products transaction according to the production and</p>							

	<p>operation scale and the progress of foreign exchange income for the Company, and delivered by phases. It was also possible to use extension of term and other ways to ensure the fulfillment of contract as schedules upon the mature of contract, and wouldn't cause any loss of credit risk for the Company due to insufficient liquidity or other reasons.</p> <p>3. Operation risk:</p> <p>The derivative financial transactions had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction.</p> <p>Precaution measure: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the departments, operation procedures and approval procedures system to conduct derivative products transaction, established special risk control positions, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the business training and professional ethics education for them. Besides, it established the System of Reporting the Abnormal Situation Timely, formed an efficient risk management procedures, so as to ensure to lower the operation risks to the maximum.</p> <p>4. Market risk:</p> <p>The forward settlement of exchange is an important derivative products transaction, which was significantly affected by the exchange rate fluctuation due to its large amount. The Central Bank decided to expand the fluctuation range of RMB exchange rate from bidirectional 0.5% to bidirectional 1% since 16 Apr. 2012, which would increase the difficulty in the operation of forward settlement of exchange. Besides, if the RMB is devalued by a large margin on the basis of the current situation before the contract is due, so then, the larger losses shall incur in the contract on forward settlement of exchange signed by the Company.</p> <p>Risk analysis and precaution measure: Renminbi appreciated significantly compared with that before the exchange rate reform, but Renminbi internationalization would be a long-term goal, which decided that Renminbi would not depreciated significantly. Although the increased fluctuation range added the operation difficulty, it provided a certain opportunity, which required relevant personnel of the Company actively master the market trend, carefully operate and hold positive opportunity, so as to try the best to reduce the market risks under the condition of increased market difficulty.</p>
Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.	<p>1. Up to 30 Jun. 2013, the Company held 33 undue financial derivative product contracts, totaling US\$ 272.8996 million, with 31 forward settlement contracts and 2 interest rate swap contracts (the latest expiration before Apr. 2014). The above financial derivative products accounted for 29.45% of the closing net assets.</p> <p>2. From Jan. 2013 to Jun. 2013, the due financial derivative products of the Company totally equaled to US\$ 201.2245 million, all delivered on time, and the gain generated was RMB 17.6497 million. The due forward settlement was US\$ 198.5 million, all delivered on time, generating gain of RMB 17.9109 million. And the due forward foreign exchange trading amount equaled to US\$ 2.7245 million, which was all delivered as scheduled and generated gain of RMB 261,200.</p>
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	Unchanged
Specific opinion from independent	The Company independent director Zhou Zhiji, Wang lei, Sun Ruizhe, Su Xin, Xu Jianjun conducting

directors on the Company's derivatives investment and risk control	derivatives business have issued the following professional advice: we were of the opinion that it would 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. It was considered feasible for the Company to conduct derivative transactions with focus on forward settlement and purchase, and no harm was done to interests of the Company's shareholders.
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2. Use of raised funds

(1) Overview of the use of raised funds

Unit: RMB Ten thousand

Total raised capital	95,081.45
Total raised capital input in the reporting period	360.85
Accumulative raised capital input	94,362.09
Total raised capital of which the use was changed in the reporting period	0
Accumulative raised capital of which the use was changed	14,000
Proportion of accumulative raised capital of which the use was changed (%)	14.72%

Overview of the use of raised funds

In Dec. 2008, the Company made an additional issue of 150 million A-shares and raising a net amount of RMB 950,814,500. And the raised funds went to the 150,000-Ingot Top-grade Fine Combed Yarn Project, the 50-thousand Ingot Two-for-one Twisting Production Line Project, the Production Line Project for 10-million-meter Top-grade Jacquard Fabrics for Women's Wear, the Marketing Network Development Project and the Project for Supplementing the Working Capital. Among the aforesaid projects, the 150,000-Ingot Top-grade Fine Combed Yarn Project, the 50-thousand Ingot Two-for-one Twisting Production Line Project, the Production Line Project for 10-million-meter Top-grade Jacquard Fabrics for Women's Wear and the Project for Supplementing the Working Capital had been completed before the reporting period.

Meanwhile, at the 3rd Special Shareholders' General Meeting for 2011, it was decided to adjust the raised funds investment of RMB 200 million for the Marketing Network Development Project to RMB 60 million, and the remaining RMB 140 million would be invested in a new project—the Production Line Project for 40-million Meter Top-grade Yarn-dyed Fabric. By the end of the reporting period, the cumulative input for the new project stood at RMB 413,979,700, of which raised funds of RMB 140 million was used, including RMB 28,103,000 for construction and RMB 111,897,000 for equipment purchase. The first phase of the Project was put into production in Jun. 2012.

In the reporting period, the raised funds investment to The Marketing Network Development Project increase RMB 3.6085 million, total raised funds investment is RMB 52.8064 million. So far, in addition to set up specialty stores, the company expand online sales channel by Lutai online and other electric business platform.

(2) Projects promised to be invested with raised funds

Unit: RMB Ten thousand

Projects invested with raised capital as promised and investments with over-raised capital	Project changed or not (including partially changed)	Raised capital input as promised	Investment after adjustment (1)	Input in the reporting year	Accumulative input up to the period-end (2)	Investment progress up to the period-end (%) (3) = (2)/(1)	Date when the project reaches the expected usable condition	Profit generated in the reporting period	Reach the expected profit or not	Material change in the project feasibility or not
Projects invested with raised capital as promised										
The Project for Marketing Network Development	Yes	6,000	6,000	360.85	5,280.64	88.01%	30 Dec. 2012	0	Yes	No
Subtotal of promised investment projects	--	6,000	6,000	360.85	5,280.64	--	--	0	--	--
Investments of over-raised capital										
Total	--	6,000	6,000	360.85	5,280.64	--	--	0	--	--
Reason for failing to reach scheduled progress or projected income (explain one project by one project)	The Project for Marketing Network Development is proceeding as scheduled.									
Explanation on significant changes in feasibility of projects	Up to 30 Jun. 2013, no material change had occurred in the feasibility of the Company's raised capital investment projects.									
Amount, usage and usage progress of over-raised capital	N/A									
Change of the implementation location of any raised funds investment project	N/A									
Adjustment of the implementation method of any	N/A									

raised funds investment project	
Advance input and exchange of any raised funds investment project	Applicable On 11 Jan. 2009, Proposal on Replacing the Self-collected Funds of RMB 264,861,646.97 with the Input Raised Capital in Advance at the 27 th Meeting of the 5 th Board of Directors. Sponsor Guotai Junan Securities Co., Ltd. expressed the same opinion. The Company engaged RSM China Certified Public Accountants to audit investment of self-collected capital to project should be invested with raised capital in advance, and issued certification report ZRYHZZ Zi [2008] No. 3754.
Idle raised capital for temporarily supplementing working capital	Applicable On 3 Sept. 2010, it was reviewed and approved at the 3 rd Session of the 6 th Board of Directors to temporarily supplementing working capital with raised funds of RMB 94 million for a term from Sep. 2010 to Mar. 2011. The raised funds used for supplementing working capital accounted for 9.89% of the net raised funds, so the relevant proposal did not need to be submitted to the general meeting for review. Independent directors and Guotai Junan Securities (the sponsor) issued their independent opinion and sponsor opinion respectively. The announcement about temporarily supplementing working capital with raised funds was published on Securities Times, Shanghai Securities News and Ta Kung Pao dated 4 Sept. 2010. On 2 Mar. 2011, the Company returned, in full amount, the raised funds used previously for supplementing working capital. On 28 Mar. 2011, it was reviewed and approved at the 9 th Session of the 6 th Board of Directors to temporarily supplementing working capital again with raised funds of RMB 94 million for a term from Mar. 2011 to Sep. 2011. The raised funds used for supplementing working capital accounted for 9.89% of the net raised funds, so the relevant proposal did not need to be submitted to the general meeting for review. Independent directors and Guotai Junan Securities (the sponsor) issued their independent opinion and sponsor opinion respectively. The announcement about temporarily supplementing working capital with raised funds was published on Securities Times, Shanghai Securities News and Ta Kung Pao on 30 Mar. 2011. On 21 Sep. 2011, the Company returned, in full amount, the raised funds used previously for supplementing working capital.
Outstanding raised funds in project implementation and reasons	N/A
Usage and whereabouts of unused raise capital	The unused raised capital up to 31 Dec. 2012 will be input for the Project for Marketing Network Development.
Problems found in the usage and disclosure affairs of raised capital and other situations	The Company performed its information disclosure duty in a timely, accurate and complete manner when it used raised funds, temporarily supplemented working capital with raised funds and changed the investment directions of raised funds. No violation of information disclosure rules was found.

(3) Change of projects invested with raised funds

Unit: RMB Ten thousand

Project after	Project before	Total	Actual	Actual	Investme	Date when the	Profit	Reach	Material
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change	change	raised funds planned to be input for the project after change (1)	input for reporting period	cumulative input by period-end (2)	nt progress up to the period-end (%) (3) = (2)/(1)	project reaches the expected usable condition	generated in the reporting period	the expected profit or not	change in the after-change project feasibility or not
Project for a 40-million Meter Top-grade Yarn-dyed Fabric Production Line	Project for Marketing Network Development	14,000	0	14,000	100%	1 Jun. 2013	0	Yes	No
Total	--	14,000	0	14,000	--	--	0	--	--
Reasons for change, decision-making procedure and relevant information disclosure (explain one project by one project)			Due to market changes and other reasons, the implementation of the raised funds-invested project—Project for Marketing Network Development—was slow. It was a project that should be invested persistently on a long-term basis, so some raised funds for the project was idle for a long time, which affected the utilization efficiency of raised funds. In order to increase the utilization efficiency of the capital and maximize shareholders' interests, according to relevant stipulations in the management methods for use of raised funds, the Company held the 2011 3 rd Special Shareholders' General Meeting on 18 Oct. 2011, at which the proposal on adjusting the raised funds-invested project was reviewed and approved. According to the said proposal, the raised fund for the Project for Marketing Network Development was adjusted from RMB 200 million to RMB 60 million and the remaining RMB 140 million would be input for a new project—the Project for a 40-million Meter Top-grade Yarn-dyed Fabric Production Line.						
Reason for failing to reach scheduled progress or projected income (explain one project by one project)			Project for a 40-million Meter Top-grade Yarn-dyed Fabric Production Line is conducted on schedule						
Explanation on significant changes in feasibility of projects after change			No						

(4) Projects invested with raised funds

Overview of the project	Disclosure date	Index for the disclosed information
The annual verification report about the deposit and the actual usage of the company's raised funds.	29 Mar. 2013	Please refer to The annual verification report about the deposit and the actual usage of the company's raised funds disclosed on 29 Mar. 2013 which was the same time of the annual report.

3. Significant projects of investments with non-raised funds

Unit: RMB Ten thousand

Project name	Total planned investment	Input for the reporting period	Cumulative actual input as at the period-end	Project progress	Project earnings
A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project	92,866	795.41	1,073.55	1.16%	0
Total	92,866	795.41	1,073.55	--	--
Index and date for the disclosed information(if any)	23 Mar. 2012				
Index and date for the disclosed information(if any)	Announcement about A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project No. 2012-008 was disclosed on http://www.cninfo.com.cn .				

4. Significant projects of investments with non-raised funds

Unit: RMB Ten thousand

Project name	Total planned investment	Input for the reporting period	Cumulative actual input as at the period-end	Project progress	Project earnings
LuFeng 50 million meters high piece dyed fabric project	65,993	2,943.05	51,523.5	78%	0
Total	65,993	2,943.05	51,523.5	--	--
Index and date for the disclosed information(if any)	12 May 2011				
Index and date for the disclosed information(if any)	Announcement about the subsidiary LuFeng new increasing 50 million meters high piece dyed fabric production project No. 2012-022 was disclosed on http://www.cninfo.com.cn .				

VI. Predict the operating results of Jan.-Sept. 2013

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next reporting period according to prediction, as well as explanations on the reasons:

Applicable Inapplicable

VII. Implementation of profit allocation during the reporting period

Profit allocation plan implemented during the reporting period, especially execution and adjustment of the cash dividend plan and the plan for turning capital reserve into share capital:

Applicable Inapplicable

The 2012 annual profit allocation proposal examined by the company's 2012 annual general meeting of shareholders, for every 10 shares allocated cash RMB 2.80 (including tax), the profit distribution plan has been completed in June of 2013.

VIII. Particulars about researches, visits and interviews received in this reporting period

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
23 Jan. 2013	Office of the Company	Field research	Institution	China Galaxy Securities CO., Ltd: Hua Xiaowei Yang Lan	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	The First Capital Securities co., LTD: Lv Liping	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Shanghai Milestone Asset Management Co.,Ltd: Wong Di	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Sealand Securities co., LTD: Su Linhao	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Hua Chuang Securities co., LTD: Tang Shuangshuang	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Dacheng Fund Management Co., Ltd: Liu Yang	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Tian Hong Fund Management Co., LTD: Fu Fangbao	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Harvest Securities Co., Ltd: Zhang Hao	Company's current situation
23 Jan. 2013	Office of the Company	Field research	Institution	Beijing StarRock Investment Management Co., Ltd: Chen Yao	Company's current situation
20 Sep. 2013	Office of the Company	Field research	Institution	Hai Tong International : Li Xiguang	Company's current situation
20 Sep. 2013	Office of the Company	Field research	Institution	Lyhas Capital: Jon Ogden	Company's current situation
220 Sep. 2013	Office of the Company	Field research	Institution	Lyhas Capital: David N. Devine	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	CITIC Securities Co., Ltd: Wang Rong	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	CITIC Securities Co., Ltd: Jun Xinghai	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	CITIC Securities Co., Ltd: Yan Feng	Company's current situation
23 May 2013	Office of the	Field	Institution	Changjiang Securities Company Limited Lei Yu	Company's current

	Company	research			situation
23 May 2013	Office of the Company	Field research	Institution	Cicc's International Finance Co., Ltd: Cao Yan	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	Hua Rong Securities Co., Ltd: Han Yue	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	TF Securities Co., Ltd: Yao Yao	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	HSBC Jintrust Fund Management Co., Ltd : Qiu Dongrong	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	ICBC Credit Suisse Fund Management Co., Ltd: Gao Yuanyuan	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	Huatai BaiRui Fund Management Co., Ltd: Zhao Jie	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	Green Wood Asset Management Co., Ltd: Chen Kaixian	Company's current situation
23 May 2013	Office of the Company	Field research	Institution	Yin Hua Fund Management Co., Ltd: Wang Xiang	Company's current situation

V. Significant Events

I. Corporate governance

The Company continued to perfect the corporate governance structure, establish and perfect the modern enterprise system and ensure the efficient and standardized operation of the Company's Shareholders' General Meeting, Board of Directors, Board of Supervisors and Senior Executives strictly according to Company Law, Securities Law and Governing Rules for Listed Company as well as relevant stipulations and requirements from CSRC. It formed a relationship of clear division of rights and responsibilities, assuming each own functions and check and balance each other between the management organ, decision-making organ, supervisory organ and management layer, so as to provide a good internal operational environment for the Company's standardized and efficient operation. At present, there is no difference between the actual situation of the Company's corporate governance structure and the requirements on the corporate governance of CSRC and Shenzhen Stock Exchange.

II. Implementation and influence of equity incentive

1. Summary of equity incentive plan

On 8 Apr. 2011, the 10th session of the 6th board of directors reviewed and approved "2011 Plan on Restricted Stock Incentive of Luthai Textile Co., Ltd." (Draft). According to requirements of CSRC, the Company submitted the complete application materials on equity incentive plan to CSRC for the record. In accordance with feedback from CSRC, the Company revised the incentive plan and formed "2011 Plan on Restricted Stock Incentive of Luthai Textile Co., Ltd." (Revised Draft) which was approved in the 13th session of the 6th board of meeting on 15 July 2011 without objection of CSRC. On 3 Aug. 2011, the Company held the 2nd temporary shareholders' general meeting for 2011 and approved "2011 Plan on Restricted Stock Incentive of Luthai Textile Co., Ltd." (Revised Draft).

With the authorization of shareholders' general meeting, on 17 Aug. 2011, the Company held the 15th session of the 6th board of directors and approved "Proposal on Granting Incentive Objects Restricted Stocks According to 2011 Plan on Restricted Stock Incentive" and decided that 18 Aug. 2011 was fixed as grant date of the above incentive plan. On the same day, "Proposal on Personnel Adjustment in 2011 Plan on Restricted Stock Incentive of Luthai Textile Co., Ltd." was approved. Because four employees were not qualified for requirements of incentive objects, their qualifications of incentive objects were canceled and they were not granted restricted stocks. Therefore, the number of incentive objects changed from 350 into 346 and the amount of granted restricted stocks changed from 14.3 million shares to 14.12 million shares.

"Announcement of Luthai Textile Co., Ltd. on Finishing Granting Restricted Stocks" declared on 6 Sep. 2011 clarified that: because of personal reasons, incentive objects including Guo Yuan and Yang Tao voluntarily gave up restricted stocks the Company was about to endow, respectively 10,000 shares and 20,000 shares. Therefore, the number of incentive objects changed from 346 into 344 and the amount of granted stocks changed from 14.12 million shares into 14.09 million shares. Up to now, the Company has already finished granting restricted stocks: grant date is 18 Aug. 2011, the amount of granted stocks is 14.09 million shares, the number of incentive objects is 344 and grant price is RMB 5.025 per share.

On 13 Aug. 2012, the 23rd session of the 6th board of directors reviewed and approved "Proposal on Repurchasing and Withdrawing Restricted Stocks Granted to Unqualified Original Incentive Objects". Original incentive objects including Liu Qingchun and Shi Qian left their posts during the assessment period and they were not qualified for regulations of restricted stock incentive plan, so the

stocks granted to the above persons, respectively 20,000 shares and 40,000 shares, were repurchased and withdrawn; withdrawal was completed on 6 Dec. 2012. Therefore, the number of incentive objects of restricted stocks changed to 342, and the amount of restricted stocks change to 14.03 million shares.

On 27 March 2013, the Company passed “Proposal on Restricted Stock Granted to Previous Incentive Objects Who Fall through Incentive Requirements” and “Proposal on Restricted Stock Granted to All Incentive Objects and still Locked during the Second Unlocking Period”. The Company decided to repurchase and write off locked and restricted stocks of Zhangtao, Mengming and Chuiyan in the amount of 12,000 shares, 12,000 shares, 12,000 shares respectively, because they were left on January 2013 and fell through the standard of incentive plan of restricted stocks. In addition, previous incentive object, Qu Qingfeng has arranged retirement and left in January 2013. pursuant to “the 33rd” in incentive plan, part of restricted stocks of Qu Qingfeng still locked in the second period were still valid.; restricted stocks still locked in the third period in the amount of 30,000 shares would be repurchased and written off by the Company. The restricted stocks repurchased and written off this period reached 66,000 shares and incentive objects decreased four people; therefore, incentive objects holding restricted shares in the second period declined to be 339, and restricted stocks still locked were adjusted to be 4,191,000 shares. In line with stipulation of stock incentive plan, unless company performance index meets three requirements of unlocking requirement of 2012 simultaneously, can companies unlock. Net profits of the Company increased 0.52% comparing to 2010 after being deducted non-recurring profit and loss and was lower than the examination requirement, therefore, the stock incentive plan in the second period did not comply with the unlocking requirements. Under this situation, the Company shall repurchase and write off all stocks according to relevant stipulations of “Repurchase and write-off of restricted stocks” in the 8th chapter of stock incentive plan. The restricted stock stated above were written off on 27 June 2013, therefore, incentive objects who obtain restricted stocks in the third period became 338, and restricted stocks still locked in the third period reached 4,161,000 shares.

2. Source of incentive stocks:

Directional add-issuance of restricted stocks to incentive objects.

3. Assessment to incentive objects

The human resource department of the Company, according to implementation and assessment methods of restricted stock incentive plan of Luthai Textile Co., Ltd., conducted appraisal of 2011 annual performance of incentive objects and the appraisal result was that: they were all qualified and met the conditions of unlocking.

Net profits of the Company increased 0.52% comparing to 2010 after being deducted non-recurring profit and loss and was lower than the examination requirement, therefore, the stock incentive plan in the second period did not comply with the unlocking requirements. Under this situation, the Company shall repurchase and write off all stocks according to relevant stipulations of “Repurchase and write-off of restricted stocks” in the 8th chapter of stock incentive plan and repurchased all restricted stocks on 27 June 2013.

4. Particulars about unlocking incentive stocks:

On 13 Aug. 2012, the 23rd session of the 6th board of directors reviewed and approved “Proposal on Unlocking Restricted Stock

Incentive Plan During the First Unlocking Period” and approved that the 342 qualified incentive objects were unlocked during the first unlocking period, the proportion of unlocked shares during the first unlocking period in total granted incentive shares was 40% and the amount of unlocked shares was 5.612 million shares. The listing date of firstly unlocked shares was 3 Sep. 2012.

5. Influence of implementing stock incentive plan on financial situation and operation results during the reporting period and in the future

The fee of implementing stock incentive plan during the reporting period was RMB 4,801,800 and the influenced total profit of the Company in the first half year of 2013 reached RMB 4,801,800.

III. Significant related-party transactions

1. Related-party transactions arising from routine operation

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Transaction price	Transaction amount (RMB Ten thousand)	Proportion in the total amounts of transactions of the same kind (%)	Mode of settlement	Obtainable market price for the transaction of the same kind	Disclosure date	Disclosure index
Lucheng Textile	Parent company	Procurement	Towel, socks and products of oil	Market price		329.16	64.51%	Cash		29 Mar. 2013	More details can be browsed in the website (www.cninfo.com.cn)
Limin Purified Water	Parent company wholly owned company	Reacceptance of labor services	Sewage treatment	Market price		556.24	100%	Cash		29 Mar. 2013	More details can be browsed in the website (www.cninfo.com.cn)
Lucheng Textile	Parent company	lease	Land, housing	Market price		268.94	15.62%	Cash		29 Mar. 2013	More details can be browsed in the website (www.cninfo.com.cn)
Luqun Property	Parent company wholly	lease	Land, housing	Market price		90.12	5.23%	Cash		29 Mar. 2013	More details can be browsed in the website

owned company										(www.cninfo.com.cn)
Total		--	--	1,244.46	--	--		--	--	

2. Credits and liabilities with related parties

Was there any credit or liability with any related party for non-operating purpose?

Yes No

Related party	Relationship	Variety of credit or liability	Reason	Non-operating capital occupation or not?	Opening balance (RMB Ten thousand)	Amount incurred in reporting period (RMB Ten thousand)	Closing balance (RMB Ten thousand)
Lucheng Textile	Parent company	Liabilities payable to related-party	Borrowing	No	4,390	2,600	6,990

IV. Significant contracts and the fulfillment of contracts

1. Particulars about guarantee

Unit: RMB ten thousand

Particulars on external guarantee of the Company (excluding guarantees for subsidiaries)									
Name of guarantee object	Date of disclosure of relevant announcements on guarantee limit	Guarantee limit	Date of making guarantee (date of signing agreement)	Actual amount of guarantee	Type of guarantee	Guarantee period	Whether the guarantee has been fulfilled	Whether guaranteeing for related parties (yes or no)	
Particulars about guarantee of the Company for subsidiaries									
Name of guarantee object	Date of disclosure of relevant announcements on guarantee limit	Amount of guarantee	Date of making guarantee (date of signing agreement)	Actual amount of guarantee	Type of guarantee	Guarantee period	Whether the guarantee has been fulfilled	Whether guaranteeing for related parties (yes or no)	
Lufeng Weaving & Dyeing Co., Ltd.	23 May 2011	30,000	10 May 2011	493.8	Guarantee of joint	From the date of implementing loan	No	Yes	

					and several liability	within credit line to the date of clearing off loan principal and interest		
Xinjiang Luthai Harvest Cotton Co., Ltd.	14 July 2012	10,000	13 July 2012		Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Xinjiang Luthai Harvest Cotton Co., Ltd.	25 Sep. 2012	10,000	24 Sep. 2012		Guarantee of joint and several liability	One year since the approval of the board of the Company	No	Yes
Total amount of approved guarantee for subsidiaries during the reporting period(B1)		0		Total amount of actual guarantee for subsidiaries during the reporting period(B2)		0		
Total amount of approved guarantee for subsidiaries at the end of the reporting period(B3)		50,000		Total amount of actual guarantee for subsidiaries at the end of the reporting period(B4)		493.8		
Total amount of guarantee (sum total of the first two items)								
Total amount of approved guarantee during the reporting period(A1+B1)		0		Total amount of actual guarantee during the reporting period(A2+B2)		0		
Total amount of approved guarantee at the end of the reporting period(A3+B3)		50,000		Total amount of actual guarantee at the end of the reporting period(A4+B4)		493.8		
Proportion of total amount of actual guarantee (A4+B4) in net assets of the Company				0.09%				
Among which:								
Amount of guarantee provide for shareholders, actual controller and related parties(C)				0				
Amount of guarantee provided directly or indirectly for guarantee objects with asset-liability ratio reaching over 70%(D)				0				
Balance between 50% of net assets and total amount of guarantee which exceeds 50% of net assets(E)				0				
Sum total of the above three guaranteed amounts(C+D+E)				0				
Explanations about joint and several liability for repayment in respect of undue guarantee				According to "Agreement on Counter Guarantee" signed on 12 May. 2011 between Luthai Company and Lu Feng Company, Lu Feng Company , the warrantee provided the corresponding amount of counter guarantee for Luthai Company. According to "Agreement on				

	Counter Guarantee” signed on 13 July 2012 between Luthai Company and Xinjiang Luthai Company, Xinjiang Luthai Company , the warrantee provided the corresponding amount of counter guarantee for Luthai Company. According to “Agreement on Counter Guarantee” signed on 24 Sep. 2012 between Luthai Company and Xinjiang Luthai Company, Xinjiang Luthai Company , the warrantee provided the corresponding amount of counter guarantee for Luthai Company.
Explanation about external guarantee violating established procedure	The Company never provided guarantees for companies except controlling subsidiaries.

Explanations about guarantees provided with complex methods

V. Commitments made in the reporting period by the Company or its shareholders with equities of over 5% or such commitments carried down into the reporting period

Commitment	Party making the commitment	Content of commitment	Date of making commitment	Term for acceptance	Fulfillment of commitment
Commitments made in a share reform	Zibo Lucheng Textile Investment Co., Ltd.	Zibo Lucheng will not reduce its shareholding within 60 months after reform of non-tradable shares and, within 24 months after the term of 60 months, the price of selling holding shares shall not be lower than RMB 15 per share (if the share capital changes, ex-rights and ex-dividend will be conducted); it proposed and voted for a cash distribution not lower than 50% of the profit available for distribution in the year at the 2006 Shareholders' General Meeting and 2007 Shareholders' General Meeting; it will increase the LUTHAI A shares held by it through trading at the secondary market with the dividends received in 2005 and 2006, and the increase of the LUTHAI A shares held shall be accomplished within 12 months after the dividend is transferred to its account. In 2008, the total profit increased by not less than 30%	12 Jun. 2006	Not reduce the shareholding within 60 months after reform of non-tradable shares and, within 24 months after the term of 60 months, the price of selling holding shares shall not be lower than RMB 15 per share (if the share capital changes, ex-rights and ex-dividend will be conducted)	Increase of bonus share for 2005 and 2006 has been fulfilled. The total profit of 2008 increased by 58.06% compared to that of 2005. Till 12 Jun. 2011, the non-tradable term of 9835.80 ten thousand shares held by Lu Cheng Company came to an end and the above shares came into market on 24 Jun. 2011 and are not reduced at present.

		compared with that in 2005.			
Commitments made in acquisition reports or report on changes in equity	None	None		None	None
Commitments made at the time of assets reorganization	None	None		None	None
Commitments at the time of initial public issuance or re-financing	Luthai Textile Co., Ltd.	Investment project of raised funds	19 Dec. 2008		Investment projects of raised funds including project on 150 thousand ingots of high-end combed yarn, project on production line of 50 thousand ingots of two-for-one twisting, project on complementing circulating funds of the company, project on production line of 10 million meters of high-end jacquard for female garments have already been fulfilled. On 18 Oct. 2011, the 3 rd temporary shareholders' general meeting approved that RMB 140 million raised funds of this project were transferred into project on increasing 40 million meters of high-end yarn-dyed fabric production line. Till the end of the reporting period, this project has already been finished. And project on network construction of brand and marketing is under the implementation.
Other commitments	None	None		None	None

made for medium and small shareholders of the Company					
Whether commitments were fulfilled in time	Yes				
Specific reasons of unfinished fulfillment and further plan	None				

VI. Particulars about employing and dismissing Certified Public Accountants by the Company

Whether semi-annual financial report is audited?

Yes No

VII. Explanations about other significant events

On 25 June 2012, the 2nd temporary shareholders' general meeting in 2012 reviewed and approved relevant matters about repurchasing part of domestically listed foreign shares (B share). On 8 Sep. 2012, Report of Luthai Textile Co., Ltd. on Repurchasing Part of Domestically Listed Foreign Shares (B share) and announcement on approving the plan of repurchasing part of B shares were declared. For details see announcement No. 2012-037 published on Cninfo website (www.cninfo.com.cn). The Company began to implement plan of repurchasing part of B shares on 10 Sep. 2012. The repurchasing period is due on 24 June 2013 with repurchase of B shares at an amount of 48,837,304 shares. On 12 July 2013, the Company registered liquidation of Shenzhen subsidiary of limited liability companies in China Security, and finished write-off works stated above. In respect of the specific progress and subsequent development, for details see the relevant announcements on Cninfo website.

VI. Change in Shares & Shareholders

I. Change in shares

	Before the change		Increase/decrease (+, -)					After the change	
	Amount	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	127,637,842	12.65%				-4,071,620	-4,071,620	123,566,222	12.3%
1. Shares held by the State		0%							0%
2. Share held by state-owned corporations		0%							0%
3. Shares held by other domestic corporations	7,458,000	0.74%				-3,837,000	-3,837,000	3,621,000	0.36%
Among which: shares held by domestic corporations		0%							0%
Shares held by domestic natural persons	7,458,000	0.74%				-3,837,000	-3,837,000	3,621,000	0.36%
4. Shares held by foreign investors	118,232,400	11.72%						118,232,400	11.77%
Among which: Shares held by foreign corporations	118,232,400	11.72%						118,232,400	11.77%
Shares held by foreign natural persons		0%							0%
5. Share held by senior management staff	1,947,442	0.19%				-234,620	-234,620	1,712,822	0.17%
II. Non-restricted shares	881,256,958	87.35%				-185,380	-185,380	881,071,578	87.7%
1. Renminbi ordinary	556,901,458	55.2%				-114,080	-114,080	556,787,378	55.42%

shares									
2. Domestically listed foreign shares	324,355,500	32.15%				-71,300	-71,300	324,284,200	32.28%
3. Others									0%
III. Total shares	1,008,894,800	100%				-4,257,000	-4,257,000	1,004,637,800	100%

Reason for change in shares

Applicable Inapplicable

1. In the reporting period, the Company repurchased and wrote off 36,000 shares still not unlocked among incentive stocks owned by Zhangtao, Mengmin and Chuiyan who failed to meet the incentive requirements; the Company also repurchased and wrote off 30,000 shares still not unlocked owned by senior executive Qu Qingfeng who retired from the Company; in addition, the Company repurchased and wrote off 4,191,000 restricted shares out of line with unlocking requirements in the second period of stock incentive plan. Therefore, the Company repurchased and wrote off 4,257,000 shares in total.

2. In the reporting period, because of the reelection of board of director and senior executives, shares held by directors of the board, senior executives and newly-elected senior executives were restricted according to stipulations, leading to changes in the amount of “shares of senior executives” among “restricted stocks”, “shares of foreign natural person” among “other domestic shareholdings”, “RMB ordinary shares and foreign shares listed domestically” among “unrestricted stocks”.

Information about change in shares

Applicable Inapplicable

On 3 Aug. 2011, the 2nd temporary shareholders' general meeting in 2011 reviewed and approved “Plan on Restricted Stock Incentive of Luthai Textile Co., Ltd.”(Revised Draft)” and proposal about empowering the board of directors to manage relevant matters about stock incentive including change and termination of restricted stock incentive plan. Granting shares to qualified incentive objects, handling necessary procedures related to endowment of shares and unlocking of shares, repurchasing and withdrawing shares granted unqualified incentive objects were also included in the matters the board need to manage. On 27 Mar. 2013, the 26th session of the 6th board of directors reviewed and approved “Proposal on Repurchasing and Withdrawing Restricted Stocks Granted to Unqualified Original Incentive Objects” and “Proposal on Repurchasing and Withdrawing Restricted Stocks Granted to All Incentive Objects and still Locked in the Second Period”. On 27 Jun. 2013, the Company repurchased and withdrawn 36,000 shares of incentive stocks still not unlocked owned by Zhangtao, Mengmin and Chuiyan who failed to meet incentive requirements, and 30,000 shares owned by Qu Qingfeng who retired from the Company, and 4,191,000 shares unqualified to unlocking requirements in the second period of incentive plan.

Information of transfer ownership of shares

Applicable Inapplicable

On 24 Jun. 2013, the Company applied for Shenzhen Securities Depository and Cleared Corporation Limited, Shenzhen Branch. In addition, the Company arranged procedures of transferring shares owned by Zhangtao, Mengmin and Chuiyan who failed to meet incentive requirements, senior executive Qu Qingfeng who retired and unqualified to unlocking requirements in the second period of incentive plan in an amount of 36,000 shares, 30,000 shares, 4,191,000 shares respectively. The restricted shares still locked stated above were transferred to special stock account of the Company. On 27 Jun. 2013, Shenzhen Securities Depository cleaned the Corporation Limited, Shenzhen Branch and withdrew all the repurchasing stocks.

Influence on the changes in shares on financial indicators of the recent year or the recent term including basic EPS, diluted EPS, and net asset value per share which belongs to common stock holders of the Company.

Applicable Non-applicable

There existed no influence of changes in shares on financial indicators of the recent year or the recent term including basic EPS, diluted EPS, and net asset value per share belonging to common stock holders of the Company.

Other information demanded to disclosed by the Company or security regulation organizations

Applicable Non-applicable

Particulars about changes in share amount, shareholder structure, assets and liabilities structure

Applicable Non-applicable

II. Particulars about shareholders and shareholding

Unit: Share

Amount of shareholding at period end		98,900						
Shareholding of shareholders owning over 5% shares								
Name of Shareholder	Type of shareholder	Proportion of shareholding (%)	Amount of shares till the end of reporting period	Increase/decrease during the reporting period	Amount of non-tradable shares	Amount of tradable shares	Pledged or frozen shares	
							Condition of shares	Condition of shares
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned corporation	12.27%	123,314,700	0	0	123,314,700		
Tailun (Thailand) Textile Co., Ltd.	Foreign corporation	11.77%	118,232,400	0	118,232,400	0		
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	Foreign corporation	4.04%	40,528,642	0	0	40,528,642		
Franklin Guohai potential group Investment Securities Investment Fund	Domestic non-state-owned corporation	0.98%	9,810,288	9,810,288	0	9,810,288		
LYNAS ASIA FUND	Foreign corporation	0.93%	9,354,914	9,354,914	0	9,354,914		
Huashang Shengshi Development Portfolio Investment stock fund	Domestic non-state-owned corporation	0.87%	8,772,748	8,772,748	0	8,772,748		
Kuwait Government BOI	Foreign corporation	0.82%	8,226,707	8,226,707	0	8,226,707		
Guangfa Strategy Optimization Mixed-type Securities Investment Fund	Domestic non-state-owned corporation	0.8%	8,074,561	8,074,561	0	8,074,561		
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	Foreign corporation	0.59%	5,908,304	5,653,304	0	5,908,304		

HTHK-MANULIFE CHINA VALUE FUND	Foreign corporation	0.57%	5,731,606	5,370,913	0	5,731,606		
Particulars about strategic investors or common legal persons who became the top ten shareholders because of the issuance of additional shares (if any)	None							
Explanations about associated relationship or concerted action among the above shareholders	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder as well as sponsor of foreign capital of the Company. All of other shareholders are people holding circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.							
Shareholdings of the top ten shareholders not subject to trading moratorium								
Name of shareholders	Name of shareholders	Type of shares						
		Type	Type					
Zibo Lucheng Textile Investment Co., Ltd.	123,314,700	RMB common shares	123,314,700					
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	40,528,642	Foreign shares listed domestically	40,528,642					
Franklin Guohai potential group Investment Securities Investment Fund	9,810,288	RMB common shares	9,810,288					
LYNAS ASIA FUND	9,354,914	Foreign shares listed domestically	9,354,914					
Huashang Shengshi Development Portfolio Investment stock fund	8,772,748	RMB common shares	8,772,748					
Kuwait Government BOI	8,226,707	RMB common shares	8,226,707					
Guangfa Strategy Optimization Mixed-type Securities Investment Fund	8,074,561	RMB common shares	8,074,561					
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	5,908,304	Foreign shares listed domestically	5,908,304					
HTHK-MANULIFE CHINA VALUE FUND	5,731,606	Foreign shares listed domestically	5,731,606					
Bank of Communication – Hua’an Strategy Optimization Securities Investment Fund	4,221,762	RMB common shares	4,221,762					
Explanation about associated relationship and concerted	Among the above shareholders, except that Lucheng Corporation is the							

action among the top ten shareholders not subject to trading moratorium as well as between the top ten shareholders not subject to trading moratorium and the top ten shareholders	largest shareholder of the Company, all of other shareholders are people holding circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.
Particulars about shareholders participating in margin trading (if any)	None

Whether shareholders reach agreement on repurchasing trading in the reporting period?

Yes No

VII. Directors, Supervisors & Senior Management Staff

I. Shareholding changes of directors, supervisors and senior management staff

√ Applicable □ Inapplicable

Name	Title	Incumbent or not	Shares held at the beginning of the reporting period	Increase of shares in this reporting period (share)	Decrease of shares in this reporting period	Shares held at the end of the reporting period	Restricted stock conferred at the period-begin (share)	Restricted stock conferred in this period (share)	Restricted stock conferred at the period-end (share)
Liu Shizhen	Chairman of the Board	Incumbent	437,295			437,295			
Xu Zhinan	Vice Chairman of the Board	Incumbent							
Liu Zibin	Director/General Manager	Incumbent	178,290		30,000	148,290	60,000	-30,000	30,000
Fujiwara Hidetoshi	Director/Senior Consultant	Incumbent							
Chen Ruimou	Director	Incumbent							
Zeng Facheng	Director	Incumbent							
Wang Fangshui	Director/Chief engineer	Incumbent	223,238		30,000	193,238	60,000	-30,000	30,000
Qin Guiling	Director/ Secretary to the Board	Incumbent	124,452			124,452			
Zhou Zhiji	Independent director	Incumbent				0			
Wang Lei	Independent director	Incumbent				0			
Sun Ruize	Independent director	Incumbent				0			
Su Xin	Independent director	Incumbent				0			
Xu Jianjun	Independent director	Incumbent				0			

Zhu Lingwen	Supervisor of the Board	Incumbent	91,638			91,638			
Liu Zilong	Supervisor	Incumbent				0			
Dong Shibing	Supervisor	Incumbent	5,000			5,000			
Zhang Jianxiang	Vice chairman	Incumbent	118,400		30,000	88,400	60,000	-30,000	30,000
Zhang Hongmei	Chief accountant	Incumbent	118,100		30,000	88,100	60,000	-30,000	30,000
Li Tongmin	Chairman of the union	Incumbent	206,164		30,000	176,164	60,000	-30,000	30,000
Wang Jiabin	Assistant of general manager, manager of production department	Incumbent	113,700		30,000	83,700	60,000	-30,000	30,000
Zhang Shougang	Assistant of general manager, manager of clothing-making department	Incumbent	113,100		30,000	83,100	60,000	-30,000	30,000
Zhang Zhanqi	Assistant of general manager, general manager of Lufeng company	Incumbent	110,300		30,000	80,300	60,000	-30,000	30,000
Zhang Kemin	Financial manager	Incumbent	125,200		30,000	95,200	60,000	-30,000	30,000
Pan Pingli	Manager of the second department of international business	Incumbent	153,796		30,000	123,796	60,000	-30,000	30,000
Lu Yongchen	Vice president of Lufeng company	Incumbent	117,900		40,000	77,900	60,000	-30,000	30,000
Yu Shouzhen g	Manager of energy business unit	Incumbent	113,100		30,000	83,100	60,000	-30,000	30,000
Quan Peng	Marketing manager	Incumbent	100,000		63,000	37,000	60,000	-30,000	30,000
Wang Changzha o	Manager of the first department of international business	Incumbent	100,000		70,000	30,000	60,000	-30,000	30,000
Shang Chenggan	Manager of enterprises	Incumbent	100,000		70,000	30,000	60,000	-30,000	30,000

g	management department								
Sun Zhigang	Director	Left	21,604			21,604			
Qi Haodong	Independent director	Left							
Bi Xiuli	Independent director	Left							
Hong Xiaobing	Independent director	Left							
Qu Qingfeng	Chief auditor of ministry of audit	Left	236,300		60,000	176,300	60,000	-60,000	0
Bai Nianyue	Dean of chief engineer office	Left	113,715		30,000	83,715	60,000	-30,000	30,000
Wu Yanzhen	Manager of human resource department	Left	110,000		30,000	80,000	60,000	-30,000	30,000
Yu Yongbing	Manager of production department	Left	115,000		30,000	85,000	60,000	-30,000	30,000
Total	--	--	3,246,292	0	723,000	2,523,292	1,140,000	-600,000	540,000

II. Directors, supervisors and senior management staff who left their posts

Name	Title	Type	Date	Reason
Hong Xiaobing	Independent director	Expiry	6 Jun. 2013	Expiry of board of directors
Qi Haodong	Independent director	Expiry	6 Jun. 2013	Expiry of board of directors
Bi Xiuli	Independent director	Expiry	6 Jun. 2013	Expiry of board of directors
Sun Zhigang	director	Expiry	6 Jun. 2013	Expiry of board of directors
Qu Qingfeng	Senior executive, chief auditor of ministry of audit	Left	31 Jan. 2013	Retired and left on 31 Jan. 2013
Bai Nianyue	Senior executive, director of chief engineering office	Expiry	6 Jun. 2013	Expiry
Wu Yanzhen	Senior executive, Manager of human resource department	Expiry	6 Jun. 2013	Expiry

Yu Yongbin	Senior executive, vice president of production department	Expiry	6 Jun. 2013	Expiry
Sun Ruize	Independent director	Elected	6 Jun. 2013	General election of board of director
Su Xin	Independent director	Elected	6 Jun. 2013	General election of board of director
Xu Jianjun	Independent director	Elected	6 Jun. 2013	General election of board of director
Quan Peng	Senior executive, manager of sales department	Recruitment	6 Jun. 2013	Recruited after change of board of director
Wang Changzhao	Senior executive, vice manager of the first department of international business	Recruitment	6 Jun. 2013	Recruited after change of board of director
Shang Chenggan	Senior executive, manager of business administration department	Recruitment	6 Jun. 2013	Recruited after change of board of director

VIII. Financial Report

I. Auditor's report

Whether the semi-annual report was audited?

Yes No

The semi-financial report of the Company has not audited.

II. Financial statements

Monetary unit of notes to financial statements: RMB yuan

1. Consolidated balance sheet

Prepared by Luthai Textile Co., Ltd.

Unit: RMB yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	652,081,049.99	919,734,646.13
Transactional financial assets	16,670,160.00	18,388,641.00
Notes receivable	116,979,344.00	158,739,877.01
Accounts receivable	182,583,199.21	228,133,619.46
Accounts paid in advance	148,691,207.68	96,214,664.63
Other accounts receivable	52,864,396.73	63,051,887.49
Inventories	1,774,831,723.47	1,684,292,327.27
Non-current assets due within 1 year		
Other current assets	39,485,455.86	68,068,385.18
Total current assets	2,984,186,536.94	3,236,624,048.17
Non-current assets:		
Long-term equity investment		
Investing property	67,442,600.00	67,442,600.00
Fixed assets	4,161,934,061.38	4,186,294,298.29
Construction in progress	268,972,771.21	242,436,748.42
Engineering materials	32,730,518.84	12,057,574.11
Disposal of fixed assets		
Intangible assets	314,276,310.16	319,013,492.53

R&D expense		
Goodwill	20,613,803.29	20,613,803.29
Long-term deferred expenses	1,758,841.25	1,806,377.50
Deferred income tax assets	57,310,379.18	59,099,452.02
Other non-current assets	43,401,290.00	7,890,690.00
Total of non-current assets	4,968,440,575.31	4,916,655,036.16
Total assets	7,952,627,112.25	8,153,279,084.33
Current liabilities:		
Short-term borrowings	1,035,508,754.29	1,415,078,463.05
Transactional financial liabilities		
Notes payable	11,791,680.02	9,512,094.30
Accounts payable	303,214,569.44	327,495,627.56
Accounts received in advance	95,747,091.22	115,544,995.57
Employee's compensation payable	300,015,881.44	347,614,652.54
Tax payable	82,289,036.12	50,873,887.19
Interest payable	2,108,528.82	2,670,262.59
Dividend payable	496,790.54	441,966.54
Other accounts payable	179,496,306.28	135,800,195.70
Non-current liabilities due within 1 year	61,787,000.00	12,851,550.00
Other current liabilities		
Total current liabilities	2,072,455,638.17	2,417,883,695.04
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Long-term payables	9,735,560.00	9,735,560.00
Special payable		
Estimated liabilities		
Deferred income tax liabilities	4,585,389.51	4,880,456.83
Other non-current liabilities	65,410,226.73	66,087,352.65
Total non-current liabilities	79,731,176.24	80,703,369.48
Total liabilities	2,152,186,814.41	2,498,587,064.52
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	1,004,637,800.00	1,008,894,800.00
Capital reserves	1,219,073,817.36	1,230,191,471.42

Less: Treasury stock	272,794,496.52	272,794,496.52
Specific reserves		
Surplus reserves	579,274,370.26	579,274,370.26
Provisions for general risks		
Retained profits	2,877,729,901.90	2,729,178,150.40
Foreign exchange difference	-6,855,964.11	-6,043,037.30
Total equity attributable to owners of the Company	5,401,065,428.89	5,268,701,258.26
Minority interests	399,374,868.95	385,990,761.55
Total owners' (or shareholders') equity	5,800,440,297.84	5,654,692,019.81
Total liabilities and owners' (or shareholders') equity	7,952,627,112.25	8,153,279,084.33

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

2. Balance sheet of the Company

Prepared by Luthai Textile Co., Ltd.

Unit: RMB yuan

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	434,261,203.67	561,697,936.17
Transactional financial assets	12,329,100.00	18,388,641.00
Notes receivable	95,179,237.45	126,547,171.09
Accounts receivable	182,776,868.16	227,340,296.02
Accounts paid in advance	174,592,922.07	93,344,833.30
Interests receivable		
Dividends receivable		
Other accounts receivable	28,820,372.66	33,841,380.59
Inventories	1,085,018,483.07	957,461,111.10
Non-current assets due within 1 year		
Other current assets	15,993,758.15	35,410,586.78
Total current assets	2,028,971,945.23	2,054,031,956.05
Non-current assets:		
Available-for-sale financial assets		

Hold-to-maturity investment		
Long-term account receivable		
Long-term equity investment	1,101,936,804.88	1,101,936,804.88
Investing property		
Fixed assets	2,511,365,001.32	2,502,972,171.82
Construction in progress	126,345,688.09	131,087,397.75
Engineering materials	32,450,518.84	11,825,529.11
Disposal of fixed assets		
Intangible assets	189,327,987.14	192,517,510.55
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	33,760,917.34	35,551,956.91
Other non-current assets	43,401,290.00	7,890,690.00
Total of non-current assets	4,038,588,207.61	3,983,782,061.02
Total assets	6,067,560,152.84	6,037,814,017.07
Current liabilities:		
Short-term borrowings	506,983,792.80	674,742,046.27
Transactional financial liabilities		
Notes payable	8,091,680.02	6,436,997.30
Accounts payable	217,666,508.76	140,562,402.98
Accounts received in advance	45,350,733.52	40,842,302.85
Employee's compensation payable	253,343,765.49	285,681,845.09
Tax payable	64,721,781.21	31,703,094.57
Interest payable	63,048.24	766,191.29
Dividend payable	496,790.54	441,966.54
Other accounts payable	19,819,498.95	15,414,367.82
Non-current liabilities due within 1 year	61,787,000.00	12,851,550.00
Other current liabilities		
Total current liabilities	1,178,324,599.53	1,209,442,764.71
Non-current liabilities:		
Long-term borrowings		
Bonds payable		

Long-term account payable		
Special account payable		
Estimated liabilities		
Deferred income tax liabilities	1,849,365.01	2,758,296.16
Other non-current liabilities	31,482,191.53	31,819,761.55
Total non-current liabilities	33,331,556.54	34,578,057.71
Total liabilities	1,211,656,156.07	1,244,020,822.42
Owners' equity (or shareholders' equity)		
Paid-up capital (or share capital)	1,004,637,800.00	1,008,894,800.00
Capital reserves	1,225,426,498.45	1,236,544,152.51
Less: Treasury stock	272,794,496.52	272,794,496.52
Specific reserves		
Surplus reserves	579,274,370.26	579,274,370.26
Provisions for general risks		
Retained profits	2,319,359,824.58	2,241,874,368.40
Foreign exchange difference		
Total owners' (or shareholders') equity	4,855,903,996.77	4,793,793,194.65
Total liabilities and owners' (or shareholders') equity	6,067,560,152.84	6,037,814,017.07

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

3. Consolidated income statement

Prepared by Luthai Textile Co., Ltd.

Unit: RMB yuan

Item	Amount in 2013	Amount in 2012
I. Total operating revenues	3,060,495,255.17	2,808,025,564.76
Including: Sales income	3,060,495,255.17	2,808,025,564.76
II. Total operating cost	2,580,359,544.62	2,455,925,494.34
Including: Cost of sales	2,184,574,937.90	2,055,106,728.52
Taxes and associate charges	31,735,647.82	2,360,934.93
Selling and distribution expenses	81,811,840.15	77,160,291.09
Administrative expenses	260,822,329.39	281,403,771.58

Financial expenses	24,336,940.28	36,737,830.95
Asset impairment loss	-2,922,150.92	3,155,937.27
Add: Gain/(loss) from change in fair value (“-” means loss)	-1,718,481.00	-31,047,030.00
Gain/(loss) from investment (“-” means loss)	17,649,677.42	19,052,638.49
Including: share of profits in associates and joint ventures		
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	496,066,906.97	340,105,678.91
Add: non-operating income	18,069,755.20	20,152,942.07
Less: non-operating expense	883,756.29	2,142,808.56
Including: loss from non-current asset disposal	122,406.85	626,520.62
IV. Total profit (“-” means loss)	513,252,905.88	358,115,812.42
Less: Income tax expense	83,692,908.10	49,766,218.79
V. Net profit (“-” means loss)	429,559,997.78	308,349,593.63
Including: Net profit achieved by combined parties before the combinations		
Attributable to owners of the Company	416,175,890.38	301,503,288.19
Minority shareholders’ income	13,384,107.40	6,846,305.44
VI. Earnings per share	--	--
(I) Basic earnings per share	0.43	0.3
(II) Diluted earnings per share	0.43	0.3
VII. Other comprehensive incomes	-812,926.81	207,989.91
VIII. Total comprehensive incomes	428,747,070.97	308,557,583.54
Attributable to owners of the Company	415,362,963.57	301,711,278.10
Attributable to minority shareholders	13,384,107.40	6,846,305.44

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

4. Income statement of the Company

Prepared by Luthai Textile Co., Ltd

Unit: RMB yuan

Item	Amount in 2013	Amount in 2012
I. Total sales	2,226,181,431.10	2,196,615,482.05
Less: cost of sales	1,593,126,834.70	1,679,182,666.68

Business taxes and surcharges	23,196,502.34	159,138.51
Distribution expenses	33,022,564.41	29,947,686.71
Administrative expenses	182,197,539.18	206,316,526.48
Financial costs	6,613,338.83	15,578,093.65
Assets impairment loss	-504,581.85	1,827,033.97
Add: gain/(loss) from change in fair value (“-” means loss)	-6,059,541.00	-24,697,730.00
Gain/(loss) from investment (“-” means loss)	17,735,127.42	14,455,234.49
Including: income from investment on associates and joint ventures		
II. Business profit (“-” means loss)	400,204,819.91	253,361,840.54
Add: non-business income	7,511,109.35	10,435,142.29
Less: non-business expense	629,353.82	354,789.74
Including: loss from non-current asset disposal	87,979.38	1,759.87
III. Total profit (“-” means loss)	407,086,575.44	263,442,193.09
Less: income tax expense	61,976,980.38	44,798,469.66
IV. Net profit (“-” means loss)	345,109,595.06	218,643,723.43
V. Earnings per share	--	--
(I) Basic earnings per share	0.36	0.22
(II) Diluted earnings per share	0.36	0.22
VI. Other comprehensive income	0.00	0.00
VII. Total comprehensive income	345,109,595.06	218,643,723.43

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

5. Consolidated cash flow statement

Prepared by Luthai Textile Co., Ltd.

Unit: RMB yuan

Item	Amount in 2013	Amount in 2012
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	3,076,042,410.46	2,844,941,445.62
Tax refunds received	65,178,033.83	75,614,471.46
Other cash received relating to operating activities	30,348,137.90	28,219,248.54
Subtotal of cash inflows from operating activities	3,171,568,582.19	2,948,775,165.62

Cash paid for goods and services	1,814,828,290.33	1,682,834,796.41
Cash paid to and for employees	606,961,463.74	569,733,755.88
Various taxes paid	138,126,952.15	142,705,722.41
Other cash payment relating to operating activities	120,904,955.80	136,461,423.46
Subtotal of cash outflows from operating activities	2,680,821,662.02	2,531,735,698.16
Net cash flows from operating activities	490,746,920.17	417,039,467.46
II. Cash flows from investing activities:		
Cash received from withdrawal of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,209,366.77	1,129,634.61
Net cash received from disposal of subsidiaries or other business units		951,000.00
Other cash received relating to investing activities	20,837,332.08	22,371,353.29
Subtotal of cash inflows from investing activities	25,046,698.85	24,451,987.90
Cash paid to acquire fixed assets, intangible assets and other long-term assets	219,615,586.74	421,406,791.09
Cash paid to investment		
Net accrual of pledge loan		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	219,615,586.74	421,406,791.09
Net cash flows from investing activities	-194,568,887.89	-396,954,803.19
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings	467,174,038.12	698,875,287.78
Cash received from issuance of bonds		
Other cash received relating to financing activities	130,360,586.78	3,000,000.00
Subtotal of cash inflows from financing activities	597,534,624.90	701,875,287.78
Repayment of borrowings	792,551,770.03	796,047,762.80
Cash paid for interest expenses and distribution of dividends or profit	274,802,528.90	295,918,261.39
Including: dividends or profit paid by subsidiaries to minority shareholders		

Other cash payments relating to financing activities	193,972,143.65	2,300,000.00
Sub-total of cash outflows from financing activities	1,261,326,442.58	1,094,266,024.19
Net cash flows from financing activities	-663,791,817.68	-392,390,736.41
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-1,682,634.91	837,032.32
V. Net increase in cash and cash equivalents	-369,296,420.31	-371,469,039.82
Add: Opening balance of cash and cash equivalents	900,182,215.72	811,148,146.93
VI. Closing balance of cash and cash equivalents	530,885,795.41	439,679,107.11

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

6. Cash flow statement of the Company

Prepared by Luthai Textile Co., Ltd.

Unit: RMB yuan

Item	Amount in 2013	Amount in 2012
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	2,244,250,614.20	2,266,873,036.21
Tax refunds received	32,806,344.91	44,706,953.12
Other cash received relating to operating activities	9,511,371.95	10,105,529.44
Subtotal of cash inflows from operating activities	2,286,568,331.06	2,321,685,518.77
Cash paid for goods and services	1,340,624,657.94	1,324,874,812.92
Cash paid to and for employees	457,184,019.46	434,380,999.92
Various taxes paid	74,503,362.27	64,907,965.96
Other cash payment relating to operating activities	60,464,105.86	75,107,632.03
Subtotal of cash outflows from operating activities	1,932,776,145.53	1,899,271,410.83
Net cash flows from operating activities	353,792,185.53	422,414,107.94
II. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,209,366.77	729,634.61
Net cash received from disposal of subsidiaries or other business units		951,000.00
Other cash received relating to investing activities	20,079,492.10	16,817,374.57

Subtotal of cash inflows from investing activities	24,288,858.87	18,498,009.18
Cash paid to acquire fixed assets, intangible assets and other long-term assets	143,851,952.85	253,161,722.71
Cash paid for investment		5,000,000.00
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities	1,100,000.00	
Subtotal of cash outflows from investing activities	144,951,952.85	258,161,722.71
Net cash flows from investing activities	-120,663,093.98	-239,663,713.53
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings	292,858,376.63	277,649,521.46
Cash received from shares issued		
Other cash received relating to financing activities	35,410,586.78	
Subtotal of cash inflows from financing activities	328,268,963.41	277,649,521.46
Repayment of borrowings	407,197,239.85	353,580,376.87
Cash paid for interest expenses and distribution of dividends or profit	260,148,657.86	281,725,956.67
Other cash payments relating to financing activities	140,072,143.65	
Sub-total of cash outflows from financing activities	807,418,041.36	635,306,333.54
Net cash flows from financing activities	-479,149,077.95	-357,656,812.08
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-9,570.27	203,101.48
V. Net increase in cash and cash equivalents	-246,029,556.67	-174,703,316.19
Add: Opening balance of cash and cash equivalents	559,095,505.76	443,347,389.73
VI. Closing balance of cash and cash equivalents	313,065,949.09	268,644,073.54

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

7. Consolidated statement of changes in owners' equity

Prepared by Luthai Textile Co., Ltd

Amount in this period

Unit: RMB yuan

Item	Reporting period									
	Equity attributable to owners of the Company								Minority interests Less: treasury stock	Total owners' equity Paid-up capital (or share capital)
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Paid-up capital (or share capital)	Capital reserve		
I. Balance at the end of the previous year	1,008,894,800.00	1,230,191,471.42	272,794,496.52		579,274,370.26		2,729,178,150.40	-6,043,037.30	385,990,761.55	5,654,692,019.81
Add: change of accounting policy										
Correction of errors in previous periods										
Other										
II. Balance at the beginning of the year	1,008,894,800.00	1,230,191,471.42	272,794,496.52		579,274,370.26		2,729,178,150.40	-6,043,037.30	385,990,761.55	5,654,692,019.81
III. Increase/ decrease of amount in the year ("-" means decrease)	-4,257,000.00	-11,117,654.06					148,551,751.50	-812,926.81	13,384,107.40	145,748,278.03
(I) Net profit							416,175,890.38		13,384,107.40	429,559,997.78
(II) Other comprehensive								-812,926.81		-812,926.81

incomes										
Subtotal of (I) and (II)							416,175,890.38	-812,926.81	13,384,107.40	428,747,070.97
(III) Capital paid in and reduced by owners	-4,257,000.00	-11,117,654.06								-15,374,654.06
1. Capital paid in by owners	-4,257,000.00	-15,950,865.00								-20,207,865.00
2. Amounts of share-based payments recognized in owners' equity		4,801,767.48								4,801,767.48
3. Others		31,443.46								31,443.46
(IV) Profit distribution							-267,624,138.88			-267,624,138.88
1. Appropriations to surplus reserves										
2. Appropriations to general risk provisions										
3. Appropriations to owners (or shareholders)							-267,624,138.88			-267,624,138.88
4. Other										
(V) Internal carry-forward of owners' equity										
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for										

making up losses										
4. Other										
(VI) Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
(VII) Other										
IV. Closing balance	1,004,637,800.00	1,219,073,817.36	272,794,496.52		579,274,370.26		2,877,729,901.90	-6,855,964.11	399,374,868.95	5,800,440,297.84

Amount last year

Unit: RMB yuan

Item	Last year									
	Equity attributable to owners of the Company								Minority interests Less: treasury stock	Total owners' equity Paid-up capital (or share capital)
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Paid-up capital (or share capital)	Capital reserve		
I. Balance at the end of the previous year	1,008,954,800.00	1,200,110,642.06			515,895,752.76		2,367,189,767.76	-6,050,509.48	383,807,103.40	5,469,907,556.50
Add: retrospective adjustments due to business combinations under the same control										
Add: change of accounting policy										

Correction of errors in previous periods										
Other										
II. Balance at the beginning of the year	1,008,954,800.00	1,200,110,642.06			515,895,752.76	2,367,189,767.76	-6,050,509.48	383,807,103.40	5,469,907,556.50	
III. Increase/ decrease of amount in the year (“-” means decrease)	-60,000.00	30,080,829.36	272,794,496.52		63,378,617.50	361,988,382.64	7,472.18	2,183,658.15	184,784,463.31	
(I) Net profit						707,857,544.14		7,992,824.61	715,850,368.75	
(II) Other comprehensive incomes							7,472.18		7,472.18	
Subtotal of (I) and (II)						707,857,544.14	7,472.18	7,992,824.61	715,857,840.93	
(III) Capital paid in and reduced by owners	-60,000.00	30,080,829.36	272,794,496.52					19,249,218.56	-223,524,448.60	
1. Capital paid in by owners	-60,000.00	-241,500.00	272,794,496.52					19,249,218.56	-253,846,777.96	
2. Amounts of share-based payments recognized in owners' equity		30,322,209.16							30,322,209.16	
3. Others		120.20							120.20	
(IV) Profit distribution					63,378,617.50	-345,869,161.50		-25,058,385.02	-307,548,929.02	
1. Appropriations to surplus reserves					63,378,617.50	-63,378,617.50				
2. Appropriations to general risk provisions										
3. Appropriations to						-282,490,544.00		-25,058,385.02	-307,548,929.02	

owners (or shareholders)										
4. Other										
(V) Internal carry-forward of owners' equity										
1. New increase of capital (or share capital) from capital public reserves										
2. New increase of capital (or share capital) from surplus reserves										
3. Surplus reserves for making up losses										
4. Other										
(VI) Specific reserve										
1. Withdrawn for the period										
2. Used in the period										
(VII) Other										
IV. Closing balance	1,008,894,800.00	1,230,191,471.42	272,794,496.52		579,274,370.26	2,729,178,150.40	-6,043,037.30	385,990,761.55	5,654,692,019.81	

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

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

Prepared by Luthai Textile Co., Ltd.

Reporting period

Unit: RMB yuan

Item	Reporting period							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	1,008,894,800.00	1,236,544,152.51	272,794,496.52		579,274,370.26		2,241,874,368.40	4,793,793,194.65
Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	1,008,894,800.00	1,236,544,152.51	272,794,496.52		579,274,370.26		2,241,874,368.40	4,793,793,194.65
III. Increase/ decrease of amount in the year (“-” means decrease)	-4,257,000.00	-11,117,654.06					77,485,456.18	62,110,802.12
(I) Net profit							345,109,595.06	345,109,595.06
(II) Other comprehensive incomes								
Subtotal of (I) and (II)							345,109,595.06	345,109,595.06
(III) Capital paid in and reduced by owners	-4,257,000.00	-11,117,654.06						-15,374,654.06
1. Capital paid in by owners	-4,257,000.00	-15,950,865.00						-20,207,865.00
2. Amounts of share-based payments recognized in owners' equity		4,801,767.48						4,801,767.48
3. Others		31,443.46						31,443.46

(IV) Profit distribution							-267,624,138.88	-267,624,138.88
1. Appropriations to surplus reserves								
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)							-267,624,138.88	-267,624,138.88
4. Other								
(V) Internal carry-forward of owners' equity								
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								
3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	1,004,637,800.00	1,225,426,498.45	272,794,496.52		579,274,370.26		2,319,359,824.58	4,855,903,996.77

Last year

Unit: RMB yuan

Item	Last year							
	Paid-up capital (or share capital)	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General risk reserve	Retained profit	Total owners' equity
I. Balance at the end of the previous year	1,008,954,800.00	1,206,463,323.15			515,895,752.76		1,953,957,354.86	4,685,271,230.77

Add: change of accounting policy								
Correction of errors in previous periods								
Other								
II. Balance at the beginning of the year	1,008,954,800.00	1,206,463,323.15			515,895,752.76		1,953,957,354.86	4,685,271,230.77
III. Increase/ decrease of amount in the year (“-” means decrease)	-60,000.00	30,080,829.36	272,794,496.52		63,378,617.50		287,917,013.54	108,521,963.88
(I) Net profit							633,786,175.04	633,786,175.04
(II) Other comprehensive incomes								
Subtotal of (I) and (II)							633,786,175.04	633,786,175.04
(III) Capital paid in and reduced by owners	-60,000.00	30,080,829.36	272,794,496.52					-242,773,667.16
1. Capital paid in by owners	-60,000.00	-241,500.00	272,794,496.52					-273,095,996.52
2. Amounts of share-based payments recognized in owners’ equity		30,322,209.16						30,322,209.16
3. Others		120.20						120.20
(IV) Profit distribution					63,378,617.50		-345,869,161.50	-282,490,544.00
1. Appropriations to surplus reserves					63,378,617.50		-63,378,617.50	
2. Appropriations to general risk provisions								
3. Appropriations to owners (or shareholders)							-282,490,544.00	-282,490,544.00
4. Other								
(V) Internal carry-forward of owners’ equity								
1. New increase of capital (or share capital) from capital public reserves								
2. New increase of capital (or share capital) from surplus reserves								

3. Surplus reserves for making up losses								
4. Other								
(VI) Specific reserve								
1. Withdrawn for the period								
2. Used in the period								
(VII) Other								
IV. Closing balance	1,008,894,800.00	1,236,544,152.51	272,794,496.52		579,274,370.26		2,241,874,368.40	4,793,793,194.65

Legal representative: Liu Shizhen

Person-in-charge of the accounting work: Zhang Hongmei

Chief of the accounting division: Zhang Keming

(III) Company Profile

Luthai Textile Co., Ltd. (hereinafter referred to as the Company) is a joint venture invested by Zibo Lucheng Textile Investment Co., Ltd (originally named Zibo Lucheng Textile Co., Ltd, hereinafter referred to as Lucheng Textile) and Thailand Tailun Textile Co., Ltd. On Feb. 3, 1993, the Company is approved by the former Ministry of Foreign Trade and Economy of the State (1993) in WJMZEHZ No. 59 to convert into a joint-stock enterprise. Zibo Administration for Industry and Commerce issued the Company corporate business license with the registration No. of QGLZZZ No. 000066. In July 1997, the Company is approved by the Securities Committee of the Department of the State in the ZWF (1997) No. 47 to issue 80 million shares of domestically listed foreign share(B-shares) at the price of RMB 1.00 per share. Upon approved by Shenzhen Stock Exchange with No. (1997) 296 Listing Notice, the Company is listed on the Shenzhen Stock Exchange on August 19, 1997 with B-shares stock code of 200726. On November 24, 2000, approved by ZJGSZ [2000] No.199 by CSRC, the Company increased publication of 50 million shares of general share (A-shares) at the book value of RMB 1.00, which are listed on the Shenzhen Stock Exchange on December 25, 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice. As approved by 2000 Shareholders' General Meeting in May, 2001, the Company carried out the distribution plan that 10 shares of capital public reserve are converted to 3 more shares for each 10 shares. As approved by Resolutions of 2001 Shareholders' General Meeting in June 2002, the Company implemented the distribution plan that 10 shares of capital public reserve are converted 3 more shares for each 10 shares again. As approved by 2002 Shareholders' General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees' shares 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 Dec. 2003, the inner employees' shares reach 3 years since listing on the A-share stock market, and they set out circulation on 26, Dec. 2003. As approved by the Shareholders' General Meeting 2006 held in June 2007, the Company implemented the plan on converting 10 shares to all its shareholders with capital reserves for every 10 shares. After capitalization, the registered capital of the Company was RMB 844.8648 million. The Company, in accordance with the official reply on approving Luthai Textile Co., Ltd. to issue additional shares (ZJXK [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 Dec. 2008. According to the relevant resolution of the 2nd Special Shareholders' General Meeting for 2011, the relevant resolution of the 15th Session of the 6th Board of Directors, the Opinion of China Securities Regulatory Commission on the Restricted Share Incentive Plan of Luthai Textile Co., Ltd. (Shang-Shi-Bu-Han [2011] No. 206), the Company applied for a registered capital increment of RMB 14.09 million, which was contributed by restricted share incentive receivers with monetary funds. According to the Company's resolution of the Twenty-Third Session of the Sixth Board of Directors "On the Cancellation of Part of the Repurchase which not Meet With the Conditions of the Original Incentives were Granted Restricted Stock Incentive Target Motion" on 13, Aug. 2012, the Company had made shares repurchased and canceled of the original incentive targets which not met with the conditions of incentives, with the total amount of 60,000.00 awarded shares.

According to the Company's Twenty-sixth meeting of the sixth board of directors "On the Cancellation of Part of the Repurchase which not Meet With the Conditions of the Original Incentive Not Unlock Restricted Stock Motion," "On the Cancellation of All Incentive Targets Repo the Second Period Has Not Yet Unlocked Unlocking Restricted Stock Motion " on 27, Mar. 2013, the Company had made shares repurchased and canceled of the original incentive targets which not met with the conditions of incentives, with the total amount of 4,257,000.00 awarded shares. As at 30 Jun. 2012, the Company's registered capital was RMB 100,463,780.

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

The Company's legal representative: Liu Shizhen

The Company's business scope includes production of cotton yarn, yarn dyed fabrics, shirts, fashion accessories, health underwear and other textile products and their mating products; domestic and overseas sale of the Company's self-produced products and

provision of after-sales services; acquisition and export of products not under exclusive rights or quota licenses; and hotel, guesthouses and catering services.

The Company's financial statements have been approved for issue by the Board of Directors of the Company on 14 Aug. 2013.

(IV) Main accounting policies and estimates and corrections of previous accounting errors

1. Basis for the preparation of financial statements

With the going-concern assumption as the basis, the Company prepared its financial statements in light of the actual transactions and events, as well as the Basic Standard and 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC on 15 Feb. 2006, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (jointly referred to as "the Accounting Standards for Business Enterprises"), and the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15—General Regulations for Financial Reporting (revised in 2010) by China Securities Regulatory Commission (CSRC).

In accordance with the Accounting Standards for Business Enterprises, accounting activities of the Group were conducted on the accrual basis. Except for some financial instruments, the financial statements were prepared on the basis of historical costs. Where impairment occurred in an asset, the corresponding impairment provision was withdrawn according to relevant rules.

2. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements for the reporting period prepared by the Group are in compliance with the requirements of the Accounting Standards for Business Enterprises, factually and completely presenting the Company's and the Group's financial positions as on 30 Jun. 2012, and operating results, cash flows and other relevant information in Jan.-Jun. 2012. Furthermore, these financial statements, in all material respects, are also in line with relevant disclosure requirements for financial statements and notes thereof stipulated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15—General Regulations for Financial Reporting (revised in 2010) by CSRC.

3. Fiscal period

The Group's accounting periods are divided into annual periods (yearly) and interim periods. The interim period is a reporting period which is shorter than a full fiscal year. Gregorian calendar is adopted for fiscal year of the Company, namely from 1 Jan. to 31 Dec. every year.

4. Recording currency

Renminbi (RMB) is the prevailing currency used in the main economic circumstances of the Company and its domestic subsidiaries. In light of the prevailing currency used in their main economic circumstances of the Company's overseas subsidiaries, they adopt the Hong Kong dollars as the recording currency. When preparing the financial statements for the reporting period, the Group adopted RMB as the recording currency.

5. Accounting treatment methods for business combinations under the same control and those not 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 the enterprises involved in the combination are ultimately controlled by the same party or 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 enterprise(s) involved in the business combination on the combining date is the combining party, and the other enterprise(s) involved in the business combination is (are) the combined party. The "combining date" refers to the date on which the combining party obtains actual 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 shall be adjusted. If the additional paid-in capital 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. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

As for business combinations not under the same control, the combination costs shall be 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, and intermediary agency fees for auditing, legal, consulting services, etc. and other administrative expenditures incurred for the business combination, which were recorded in the profits and losses at the current period when incurred. The trading expenditures arising from the acquirer's issuance of equity or liabilities securities as the consideration for the business combination are recorded in the initial recognition amount for the equity or liabilities securities. The contingent consideration involved is recorded in the combination costs according to its fair value on the acquisition date. Where new or further evidence against the existing circumstances on the acquisition date occurs within 12 months after the acquisition date, which makes it necessary to adjust the contingent consideration, the combined business reputation is adjusted accordingly. For a business combination realized by two or more transactions of exchange, in the Group's consolidated financial statements, as for the equity interests of the acquiree held by the Group before the acquisition date, they are re-measured according to their fair value on the acquisition date. The difference between their fair value and their carrying amount is recorded in investment gains for the period comprising the acquisition date. Other comprehensive incomes arising from the equity interests of the acquiree held by the Group before the acquisition date are transferred to investment gains at the current period. The combination costs are the summation of the fair value on the acquisition date of the equity interests of the acquiree held by the Group before the acquisition date and the fair value on the acquisition date of the equity interests of the acquiree acquired by the Group on the acquisition date.

The combination costs of the acquirer and the identifiable net assets obtained in the combination are both measured at their fair values on the acquisition date. The positive balance between the combination costs and the fair value of the identifiable net assets the acquirer obtains from the acquiree is recognized as business reputation. The acquirer shall, pursuant to the following provisions, treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree: a. it shall

reexamine 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; b. if, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

As for the unrecognized deductible temporary differences of the acquiree obtained by the acquirer due to their not satisfying the recognition criteria for deferred income tax assets on the acquisition date, if new or further information within 12 months after the acquisition date shows that the relevant circumstances on the acquisition date has existed and that the economic benefits arising from the deductible temporary differences of the acquiree on the acquisition date are expected to be realized, the corresponding deferred income tax assets are recognized and the business reputation is written down in the mean time. If the business reputation is not sufficient to offset, the difference is recognized in the profits and losses at the current period. Except for the aforesaid circumstance, the recognized deferred income tax assets in relation to the business combination are recorded in the profits and losses at the current period.

6. Preparation of consolidated financial statements

(1) Preparation methods for consolidated financial statements

1) Recognition principles of the consolidation scope

The scope of consolidated financial statements shall be confirmed based on the control. Control means the Company can decide the financial and manage policy of investee entity and have authority to earn the benefit from the investee entity. The consolidation scope includes the Company and all its subsidiaries. The Company's subsidiaries refer to the enterprises or entities controlled by the Company.

2) Preparation methods for consolidated financial statements

The Group consolidates a subsidiary from the date when the Group obtains actual control over the subsidiary's net assets and production and operation decision-making and de-consolidates it from the date when such control ceases. As for a disposed subsidiary, its operating results and cash flows before the disposal date are properly included in the consolidated income statement and the consolidated cash flow statement. As for a subsidiary disposed in the current period, the opening accounts in the consolidated balance sheet are not restated. For a subsidiary acquired in a business combination not under the same control, its operating results and cash flows after the acquisition date are properly included in the consolidated income statement and the consolidated cash flow statement, and the opening accounts and comparative accounts in the consolidated financial statements are not restated. For a subsidiary acquired in a business combination under the same control, its operating results and cash flows for the period from the beginning of the reporting period to the combination date are properly included in the consolidated income statement and the consolidated cash flow statement, and the comparative accounts in the consolidated financial statements are restated in the mean time.

In the preparation of the consolidated financial statements, where a subsidiary adopts different accounting policies or accounting periods from those of the Company, the subsidiary's financial statements are adjusted according to the Company's accounting policy and accounting periods. For a subsidiary obtained in a business combination not under the same control, its financial statements are adjusted on the basis of the fair value of its identifiable net assets on the acquisition date.

All significant balances, transactions and unrealized profits within the Group are offset in the preparation of the consolidated financial statements.

The portions in a subsidiary's shareholders' equity and net current profits and losses that are not distributable to the Company are separately presented, as minority interests and minority shareholder gains and losses respectively, under the shareholders' equity item and the net profit item in the consolidated financial statements. The portion in the subsidiary's current net gains and losses that belongs to minority interests is presented as "minority shareholder gains and losses" under the net profit item in the consolidated income statement. Where the subsidiary's losses distributable to minority shareholders exceed the portion in the subsidiary's opening owners' equity distributable to minority shareholders, minority interests are offset.

Where the Company loses control over a former subsidiary due to disposal of some equity investment 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 equity disposal and the fair value of the residual equity interests, minus the portion in the former subsidiary's net assets measured on a continuous basis from the acquisition date that is distributable to the Company according to its former shareholding ratio in the subsidiary, is recorded in the investment gains for the reporting period when the Company's control over the subsidiary ceases. Other comprehensive incomes in relation to the former equity investment in the subsidiary are transferred to the investment gains at the current period when the Company's control over the subsidiary ceases. Later on, subsequent measurement is carried out on the residual equity interests in accordance with the "Accounting Standards for Business Enterprises No.2—Long-term Equity Investment" or the "Accounting Standards for Business Enterprises No.22—Recognition and Measurement of Financial Instruments" and other relevant regulations. For more details, please refer to "Long-term Equity Investment" or "Financial Instruments"

7. Recognition standard for cash and cash equivalents

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

8. Foreign currency businesses and translation of foreign currency financial statements

(1) Foreign currency

1) Translation of foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the Group shall convert the amount in a foreign currency into amount in its Renminbi at the spot exchange rate (generally refer to the middle price of market exchange rate published by the People's Bank of China, the same below) on the day the transaction is occurred. Of which, as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the Renminbi at actual exchange rate the transaction is occurred.

2) Treatment method for the foreign currency monetary items and foreign currency non-monetary items:

On the balance sheet date, the foreign currency monetary items are translated at the spot exchange rate on the date. Exchange differences are recorded in the profits and losses at the current period except for the following circumstances:

① Exchange differences arising from the special foreign currency borrowings for the acquisition and construction of assets eligible for

capitalization are treated in accordance with the principle of borrowing cost capitalization; net investment hedging instruments in an overseas operation are recorded in other comprehensive incomes and can be recognized in the profits and losses at the current period only when the net investment is disposed; and changes in the carrying balances other than the amortized costs of foreign currency monetary items available for sale are recorded in other comprehensive incomes.

② Exchange d

③ Exchange d

Foreign currency non-monetary items measured at historical costs are translated into RMB at the spot exchange rate on the transaction date. The foreign currency non-monetary items measured at the fair value are translated at the spot exchange rate on the fair value confirming date, from which the exchange difference is treated as change in fair value (including change in exchange rate) and recorded in the profit and loss of the current period, or treated as other comprehensive incomes and recorded in the capital reserves.

(2) Translation of foreign currency financial statements

Where the consolidated financial statements involve an overseas operation and foreign currency monetary items form in a substantial basis on the net investment in the overseas operation, exchange differences arising from exchange rate changes are recorded in the “translation difference of foreign currency statements” item under the owners’ equity item; and recorded in the profits and losses at the reporting period of the disposal when the overseas operation is disposed.

The foreign currency financial statements of an overseas operation are translated in RMB in accordance with 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 the ones as “retained profits”, others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profits statements shall be translated at the average exchange rate of the current period on transaction date. The opening retained profit is the closing retained profit as of the previous year after translation; The closing retained profit is measured and stated according to profit distribution items after translation; And the difference between the asset items and the summation of the liability and shareholders’ equity items after translation, as the translation difference of foreign currency statements, is recognized in other comprehensive incomes and is presented separately under the shareholders’ equity item in the balance sheet. Where an overseas operation is disposed and the Group’s control on the overseas operation ceases, the foreign currency statement translation difference in relation to the overseas operation and presented under the shareholders’ equity items in the balance sheet is, all or according to the disposal rate of the overseas operation, transferred to the profits and losses at the reporting period comprising the disposal.

Foreign currency cash flows and cash flows generated by overseas subsidiaries are translated at the average exchange rate for the current period on the date when the cash flow is generated. The influence on cash due to change of exchange rate shall be presented separately under the cash flow statement.

The opening amounts and the actual amounts in the previous year are presented on the basis of the translated financial statements for the previous year.

9. Financial instruments

Financial instruments refer to a kind of contract that forms the financial assets of an enterprise and at the same forms the financial liabilities or equity instruments of other enterprises. Financial instruments include financial assets and financial liabilities as well as equity instruments.

(1) Classification of financial assets

Financial instruments divided into financial assets and financial liabilities.

(2) Recognition basis and measurements for financial instruments

1. The category, confirm and measure method of financial assets

Financial assets bought in and sold out in the conventional way are recognized and de-recognized in accordance with the transaction dates. In the initial recognition, financial assets are divided into financial assets measured at fair values and whose changes are recorded in current profits and losses, held-to-maturity investments, loans and accounts receivables, and available-for-sale financial assets. In the initial recognition, a financial asset is measured at its fair value. For a financial asset measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expenditures are directly recorded in the gains and losses at the current period. And the trading expenditures for the other financial assets are recorded in the initially recognized amount.

① Financial assets measured at fair values and whose changes are recorded in current profits and losses

Such financial assets include transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses. The Group's financial assets measured at fair values and whose changes are recorded in current profits and losses are all transactional financial assets.

A transactional financial asset refers to a financial asset meeting any of the following requirements: A. The purpose to acquire the financial asset is mainly for selling or repurchase of it in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the Group may manage the combination by way of short-term profit making in the near future; and C. Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

A transactional financial asset is subsequently measured at the fair value. The gains and losses arising from the fair value changes, as well as the dividend and interest incomes from the financial asset, are recorded in the gains and losses for the current period.

② Held-to-maturity investments

A held-to-maturity investment refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the Group holds for a definite purpose or the Group is able to hold until its maturity.

A held-to-maturity investment is subsequently measured according to the amortized cost using the actual interest rate method. The gains or losses arising from de-recognition, impairment or amortization of the investment are recorded in the profits and losses for the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When calculating the actual interest rate, the Group predicts the future cash flow (not taking into account the future credit losses) on

the basis of taking into account all the contractual provisions concerning the financial asset or financial liability. The various fee charges, trading expenses, reduced values, premiums, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate, are also taken into account in the determination of the actual interest rate.

③ Loans and accounts receivable

Loans and accounts receivable refer to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo amount is fixed or determinable. The financial assets defined by the Group as loans and accounts receivable include notes receivable, accounts receivable, interest receivable, dividend receivable, other receivables, etc..

Loans and accounts receivable are subsequently measured according to the amortized cost using the actual interest rate method. The gains or losses arising from de-recognition, impairment or amortization of the loans and accounts receivable are recorded in the profits and losses for the current period.

④ Available-for-sale financial assets

Available-for-sale financial assets include the non-derivative financial assets which are designated as available for sale when they are initially recognized, as well as the financial assets other than the financial assets measured at fair values and whose changes are recorded in current gains and losses, loans and accounts receivable and held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at their fair values. Impairment losses and the exchange differences of foreign currency monetary financial assets in relation to the amortized cost are recorded in the profits and losses for the current period. Other gains or losses arising from fair value changes are recognized as other comprehensive incomes and recorded in the capital reserves, and transferred out and recorded in the profits and losses for the current period when the financial asset is de-recognized.

Interest obtained during the period of holding an available-for-sale financial asset and the cash dividends declared and distributed by an invested party are recorded in investment gains.

2. The category, confirm and measure method of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at

their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

(3) 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 Group (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).

(3) The basis and measurement method of the transfer of the financial capital

In addition to the financial assets calculated through the fair value measurement which the change is counted as the current gains and losses, the group checks the book value of the other financial assets in every balance sheet date. If there are any objective evidences to prove the impairment of the financial assets the impairment provision should be made.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment of held-to-maturity investments, loans and accounts receivable

Where a financial asset measured on the basis of costs or amortized costs is impaired, the carrying amount of the said financial asset is written down to the current value of the predicted future cash flow. The amount written down is recognized as the impairment loss of the asset and is recorded in the profits and losses for the current period. Where a financial asset is recognized as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment losses as originally recognized are reversed. The reversed carrying amount of the said financial asset does not exceed the amortized cost of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

② Available-for-sale financial assets devalue

When the comprehensive factors related shows that the fair value of the drops significantly or not contemporarily, it means that available-for-sale equity instrument investment devalues. And “drop significantly” means that the fair value totally falls by more than 20%; “drop not contemporarily” means that the fair value has fell for 12 months in succession.

When available-for-sale financial assets devalues, the grand total losses counted as the capital reserve for the decline of the fair value should be rolled out and counted into the current gains and losses. The roll-out accumulating losses equal to the initial acquisition cost of capital deducted the recovered principal and the amortized, current fair value and the impairment losses included in the gains and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

(4) 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 Group (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) Recognition method of fair values of financial assets and liabilities

The “fair value” refers to the amount, at which both parties to a transaction who are familiar with the condition exchange assets or clear off debts under fair conditions. As for the financial instrument for which there is an active market, the Group determines its fair value using the quoted price in the active market. The quoted prices in the active market refer to the prices, which are easily available from the stock exchange, brokers, industry associations, pricing service institutions, etc. at a fixed term, and which represent the prices at which actually incurred market transactions are made under fair conditions. Where there is no active market for a financial instrument, the Group adopts value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

(6) Withdrawal of impairment provision for financial assets and the measure method (excluding accounts receivable)

For the financial assets other than the financial assets measured at fair values and whose changes are recorded in current gains and losses, the Group runs a check on their carrying amounts on every balance sheet date. Where there is any objective evidence proving

that such a financial asset has been impaired, an impairment provision is made.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

10. Recognition criteria and withdrawal methods for bad debts provision of accounts receivable

The Group shall test the carrying amount of receivables on the balance sheet date. Where there is any objective evidence proving that such receivables have been impaired, an impairment provision shall be made.

- ① Debtor has serious financial difficult;
- ② Debtor goes against the contract clause (for instance, breach of faith or overdue paying interests or principal);
- ③ Debtors has a great probability of bankruptcy or other financial reorganization;
- ④ Other objective evidence proving such accounts receivable has been impaired.

(1) Bad debt provision for individually significant accounts receivable

Judgment basis or monetary standards of provision for bad debts of the individually significant accounts receivable	The Group recognized the receivables with amount above RMB 5 million as receivables with significant single amounts.
Method of individual provision for bad debts of the individually significant accounts receivable	The Group made an independent impairment test on receivables with significant single amount; the financial assets without impairment by independent impairment test should be included in financial assets portfolio with similar credit risk to take the impairment test. Receivables was recognized with impairment should no longer be included in receivables portfolio with similar credit risk to take the impairment test.

(2) Accounts receivable for which bad debt provisions are made on the group basis

Name of group	Withdrawal method of bad debt provision on the group basis	Recognition basis of group
Aging group	Aging analysis method	

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

Applicable Inapplicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year)	5%	5%

1 to 2 years	10%	10%
2 to 3 years	20%	20%
Over 3 years	30%	30%

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

Applicable Inapplicable

In the groups, adopting other methods to withdraw bad debt provision

Applicable Inapplicable

(3) Accounts receivable with an insignificant single amount but for which the bad debt provision is made individually

Reason of individually withdrawing bad debt provision	Accounts receivables exist dispute with the other parties or involving lawsuit and arbitration; receivables exist obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.
Withdrawal method for bad debt provision	The Group made an independent impairment test on receivables with not significant single amount which own the above characteristics; if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts.

11. Inventory

(1) Classification

Inventories of the Company are classified as: raw materials, goods in process, processing materials on consignment and merchandise inventory etc.

(2) Pricing method for outgoing inventories

Pricing method: Weighted average method

The inventories shall be measured in light of their cost when obtained. The cost of inventory consists of purchase costs, processing costs and other costs. Inventory is accounted by weight average method upon receiving and giving. The difference between planned cost of and actual cost of raw materials is accounted through the cost variance item, and the planned cost is adjusted to the actual cost according to the cost difference which the carryover and given-out inventory should shoulder in the period.

(3) Recognition basis of net realizable value and withdrawal method of depreciation reserves for inventories

The net realizable value refers, in the ordinary course of business, to the account after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The net realizable value of inventories shall be fixed on the basis of valid evidence as well as under consideration of purpose of inventories and the effect of events after balance-sheet-date.

On the balance sheet date, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. If the net realizable value is lower than the cost, it shall withdraw the depreciation reserves for inventories, which was withdrawn in accordance with the balance that the cost of individual inventory item exceeding the net realizable value.

After withdrawing the depreciation reserves for inventories, if the factors, which cause any write-down of the inventories, have disappeared, causing the net realizable value of inventories is higher than its carrying amount; the amount of write-down shall be reversed from the original amount of depreciation reserve for inventories. The reversed amount shall be included in the profits and losses of the current period.

(4) Inventory system for inventories:

Inventory system: Perpetual inventory system

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

Low-value consumption goods

Amortization method: one-off amortization method

Packing articles

Amortization method: one-off amortization method

12. Long-term equity investment

(1) Recognition of initial investment cost

The initial cost of the long-term equity investment formed in business combination shall be ascertained in accordance with the following provisions: For the business combination under the same control, it shall regard the share of the carrying amount of the owner's equity of the combined party on the date of combination as the initial cost of the long-term equity investment. For the business combination under different control, 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 & consultancy services and other relevant expenses occurred in the business combination by the combining party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities and bonds securities.

Besides the long-term equity investment formed by business combination, the other long-term equity investments shall be initially measured by cost, the costs fixed in accordance with the ways of gaining, such as actual cash payment paid by the Group, the fair value of equity securities issued by the Group, 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) Follow-up measurement of long-term equity investment and recognized method of profits and losses

The long-term equity investment that the Company does not have joint control or significant influences on the invested entity, and has no offer in the active market and its fair value cannot be reliably measured, it shall be measured by adopting the cost method; a

long-term equity investment that the Company has joint control or significant influences over the invested entity shall be measured by employing the equity method; a long-term equity investment that the Company does not have control, joint control or significant influence on the invested entity, as well as its fair value can be reliably measured, it shall be accounted as financial assets available-for-sale.

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, 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 distributable share of the fair value of the invested entity's identifiable net assets for the 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 distributable 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, the investment profits or losses at current period shall be the distributable share of the net profits or losses of the invested entity. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, and in accordance with the accounting policies and accounting periods, recognize the distributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. For the profits and losses of unrealized insider dealing between the Group and joint-operative enterprise or co-operative enterprise, the investment profits and losses shall be recognized after the part distributable to the Group calculated by proportion of shares held being offset. However, if the losses of unrealized insider dealing between the Group and joint-operative enterprise or co-operative enterprise was attributed to the impairment losses of the transferred assets in accordance with the Accounting Standards for Enterprises No. 8— Asset Impairment, which shall not be offset. The other comprehensive profits from invested entity shall be recognized as other comprehensive profits after adjusting the book value of long-term equity investment, and then recorded into capital reserves

The Group 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 Group has the obligation to undertake extra losses, which 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 Group shall, after the amount of its distributable share of profits offsets against its distributable share of the un-recognized losses, resume recognizing its distributable share of profits.

For the long-term equity investment on joint-enterprise and co-operative enterprise held by the Group before the initial execution of New Accounting Standards for Enterprise as 1 Jan. 2007, if there existed the balance of debtor for equity investment related with such long-term equity investment, which shall be recorded into current profits and losses with the amount by straight-line amortization in the 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 distributable 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 distributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company loses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall be treated in accordance with the relevant accounting policies in Note IV.4

(1) 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, the other comprehensive income originally recorded into owners' equity shall be transferred into current profits and losses by proportions upon the disposal. The remained equity shall be recognized as long-term equity investment or other relevant financial assets in accordance with the book value, and carried out the follow-up measurement in accordance with the above accounting policies for the long-term equity investment or financial assets. If the measurement method of remained equity is transferred from cost method to equity method, it shall be subject to retrospective adjustment in accordance with relevant rules and stipulations.

(3) Recognition basis of joint control and significant influences

The term "control" refers to the power to determine the financial and operating policies of an enterprise and obtain benefits from its operating activities of the enterprise. The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with one an assent on sharing the control power over the relevant important financial and operating decisions. The term "significant influences" refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the formulation of these policies. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights.

(4) Testing method of impairment and withdrawal method of provision for impairment

The Group shall, on the day of balance sheet, make a judgment on whether there is any sign of possible impairment of the long-term equity investment. Where there is sign of impairment, the Group shall estimate the recoverable amount of the long-term equity investment. Where the recoverable amount of the long-term equity investment is lower than its book value, which balance shall be withdrawn the provision for impairment and recorded into current profits and losses.

Once any loss of impairment of the long-term equity investment is recognized, it shall not be switched back in the future accounting periods.

13. Fixed assets

(1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year.

(2) Recognition basis and pricing 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.

(3) Depreciation methods of fixed assets

The initial measurement of a fixed asset shall be made at its cost after considering the effect of expected discard expenses. The Group shall withdraw the depreciation of fixed assets by adopting the straight-line method since the second month of its useful life. Useful life, expected net salvage value (refers to the expected amount that the Group may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life) and annual depreciation rate of each fixed assets are as below:

Category of fixed assets	Useful life (Y)	Expected net salvage value	Annual depreciation
Housing and building	5-20	5-10	3.00-19.00
Machinery equipments	10-13	5-10	5.00-9.50
Electronic equipments and other	5	5-10	19.00-18.00
Transportation vehicle	5	5-10	19.00-18.00

(4) Testing method of impairment and withdrawal method of provision for impairment on fixed assets

Testing method of impairment and withdrawal method of provision for impairment on fixed assets please refer to the "Impairment Intangible assets" in the report.

(5) Other explanations

The follow-up expenses related to a fixed asset, if the economic benefits pertinent to this fixed asset are likely to flow into the enterprise and its cost can be reliably measured, shall be recorded into cost of fixed assets and ultimately recognized as the book value of the replaced part; otherwise, they shall be included in the current profits and losses.

When the Group sells, transfers or discards any fixed assets, or when any fixed assets of the Group is damaged or destroyed, the

Group shall deduct the book value of the fixed assets as well as the relevant taxes from the disposal income, and include the amount in the current profits and losses.

The Group shall check the useful life, expected net salvage value and depreciation method of the fixed assets at the end of the year at least, if there is any change, it shall be regarded as a change of the accounting estimates.

14. Construction in process

(1) Categories of construction in process

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.

(2) Standards and time of transferring construction in process into fixed asset

Construction in process is transferred to fixed assets when the assets are ready for their intended use.

(3) Impairment test method and withdrawal method for impairment provision of construction in process

Impairment test method and withdrawal method for impairment provision of construction in process please refer to the "Impairment Intangible assets" in the report.

15. Borrowing costs

(1) Recognition principles for capitalization of borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. Where the borrowing costs incurred to an enterprise can be directly distributable to the acquisition and construction or production of assets eligible for capitalization, it shall start to be capitalized when the asset disbursements have already incurred, the borrowing costs has already incurred and the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started; When the qualified asset under acquisition and construction or production is ready for the intended use or sale, it shall stop to be capitalized. Other borrowing costs shall be recognized as costs upon their occurrence.

(2) Capitalization period of borrowing costs

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When partial projects of a qualified asset under acquisition and construction or production are completed respectively and ready for independent use, the capitalization of borrowing costs for such parts of asset shall be ceased.

Where each part of a asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

(3) Period for ceasing capitalization of borrowing costs

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended until the acquisition and construction or production of a qualified asset resume again

(4) Calculation method of capitalized amount of borrowing costs

The to-be-capitalized amount of interests shall be determined in light of the actual interests incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment; the enterprise shall calculate and determine the to-be-capitalized amount on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the period of capitalization, the exchange balance on foreign currency special borrowings shall be capitalized; the exchange balance on foreign currency general borrowings shall be recorded into current profits and losses.

The term "assets eligible for capitalization" refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

16. Intangible assets

(1) Pricing method of intangible assets

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.

(2) Estimated useful life of intangible assets with limited useful life

At the end of period, the Group 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 Group shall check the service life of intangible assets without certain service life, if there is any evidence showing that the period of intangible assets to bring the

economic benefits to the enterprise can be prospected, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life. After checking the service life and amortization method of intangible assets with finite service life, the service life and amortization method of intangible assets at the period-end is same with the previous estimation.

Item	Estimated useful life	Basis
Land use right	15 to 50 years	Benefit period of land use right
Patent license	10 years	Contract period

(3) Judgment basis of intangible assets with uncertain useful life

There are evidences showing that the service life of intangible assets on bringing economical benefits to the Company is predictable.

(4) Withdrawal of impairment provision of intangible assets

For the non-current non-financial assets, such as fixed assets, Construction in process, intangible assets with finite service life, investment real assets measured by cost mode as well as long-term equity investment on subsidiaries, co-operative enterprise and joint-operative enterprise, etc., are tested for impairment if there is any indication that an asset may be impaired at the balance date. If there is any sign of possible assets impairment, the Group shall estimate the recoverable amount and made the impairment tests. No matter whether there is any sign of possible assets impairment, the good will, intangible assets without certain service life, intangible assets not ready for use shall be subject to impairment test every year.

If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The fair value of an asset shall be determined in light of the basis of the price as stipulated in the sales agreement. Where there is no sales agreement but there is an active market of assets, the fair value of the asset shall be determined according to the price bidden by the buyer of the asset; Where there is no sales agreement and no active market of assets, the fair value of an asset shall be estimated in light of the best information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, trucking charge as well as the direct expenses for bringing the assets into a marketable state. The current value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. A provision for asset Impairment is determined and recognized on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

For the goodwill separately listed in the financial statements, during the impairment test, the book value of this goodwill is allocated to the related asset group or groups of asset group which is expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or groups of asset group including the goodwill allocated is lower than its book value, the corresponding impairment loss is recognized. The impairment loss is first deducted from the book value of goodwill allocated to the asset group or groups of asset group, and then deducted from the book value of the remaining assets of the asset group or groups of asset group pro rata with goodwill.

Once the asset impairment loss mentioned above is recognized, it is not allowed to be reversed even if the value is recovered in the subsequent periods.

(5) Criteria of separating the research phase and development phase of internal R&D project

The Company's expenditures for research and development are divided into expenditures in research phase and expenditures in development phase in accordance with their natures and whether the intangible assets ultimately formed from such R&D activities exist significant uncertainty or not.

(6) Calculation of the expenditures of internal R&D project

Expenditures for research and development shall be recorded into current profits and losses upon the occurrence.

The development expenditures for its internal research and development projects of an enterprise may be confirmed as intangible assets when they satisfy the following conditions simultaneously, otherwise, it shall be recorded into current profits and losses.

- 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.

If the expenditures for research and expenditures for development can not be distinguished from each other, all the expenditures for research and development shall be recorded into current profits and losses.

17. 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 distributable to the current and future periods. Long-term deferred expense shall be amortized averagely within benefit period.

18. Share-based payment and equity instruments

(1) Categories of share-based payment

The term "share-based payment" refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties.

The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

① Equity-settled share-based payments

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees on the grant day. If the right of the amount of the fair value of the equity instruments cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then based on the best estimate of the number of vested equity instruments, it shall be included in the relevant costs or expenses by straight-line method, and also increase the capital reserves.

An equity-settled share-based payment in return for the service of any other party shall be conducted in accordance with the

following circumstances, respectively: If the fair value of the service of any other party can be measured in a reliable way, it shall be measured at the fair value of the service on the acquisition date by any other service party; If the fair value of the service of any other party can not be measured in a reliable way, but the fair value of the equity instruments can be measured in a reliable way, the fair value of the equity instruments on date of the service acquisition shall be included in the relevant costs or expenses, and the owner's equities shall be increased accordingly.

② Cash-settled share-based payments

A cash-settled share-based payment shall be measured in accordance with the fair value of liability calculated and confirmed based on the shares or other equity instruments undertaken by the Group. As to the cash-settled share-based payment, if the right may be exercised immediately after the grant, it shall be included in the relevant costs or expenses on the date of the grant, and the liabilities shall be increased accordingly; if the right may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Group.

The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

(2) The measures for the recognition of the fair value of the equity instruments.

The fair value of the restricted shares granted by the Group is measured at the closing price of A-share on the day before the grant day.

(3) Basis for the recognition of the best estimation of the vested equity instruments

On each balance sheet date within the vesting period, the best estimation shall be made in accordance with the newly gained subsequent information on the change of vested number of staffs, and then revise the estimated number of vested equity instrument.

(4) Relevant accounting treatment on the implementation, revision and termination of share-based payment plan

As to the revision on the share-based payment plan made by the Group, if the fair value of the granted equity instrument increases after the revision, it shall recognize the increase of the service gained according to the increase of the fair value of equity instrument. The increase of the fair value of equity instrument refers to the balance between the fair value on the revising date of the equity instruments before and after the revision. If the total fair value of share-base payment decreases after the revision or adopting other ways against the staffs in the revision, it shall continue to conduct accounting treatment on the service gained as if the revision never happens, only if the Group cancel partial or total granted equity instrument.

During the vesting period, if the Group cancels the granted equity instrument, the Group shall treat the cancel of granted equity instrument as accelerating the vesting, and includes the amount shall be recognized during the remained vesting period into current profit and loss, and also recognize the capital reserves. If staffs or other party can choose to meet the non-vesting conditions but not meets with them during the vesting period, which will be treated as the cancel of granted equity instrument by the Group.

19. Repurchase of shares of the Company

In the repurchase of shares, the consideration paid and the transaction expenses which decreased the owners' equity would not be recognized as gains or losses when the Company repurchased transferred or logged off the shares.

Transfer the treasury stocks, should included in the capital reserves according to the actual received amount and the differ

ences between the book amount of stock shares; if the capital surplus were not enough for writing down, the surplus reserves and the undistributed profits should be written down. When logging off treasury stocks, the Company should decrease the stocks according to book value of the shares and cancellation of the shares number, and to write down the capital surplus according to the book balance of the canceled treasury stocks and its book value; if the capital surplus were not enough for writing down, the surplus reserves and the undistributed profits should be written down

20. Revenue

(1) Criteria for recognition time of revenue from selling goods

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.

(2) Recognition basis of royalty revenue

1) Royalty revenue

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

2) Interest revenue

In accordance with the time that others use the Group's monetary capital and the actual rate.

(3) Revenue from providing labor services

If an enterprise 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 balance sheet date. The percentage-of-completion is determined by the proportion of the costs incurred against the estimated total costs.

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; ④ The costs incurred or to be incurred in the transaction can be measured in a reliable way.

If the Company can not measure the result of a transaction concerning the providing of labor services in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: If the cost of labor services incurred is expected to be compensated, the compensation amount for the cost of labor services shall be recognized as the revenue from providing labor service, and the cost of labor service incurred shall be as the current cost; if the cost of labor services incurred is not expected to compensate, no revenue from the providing of labor services may be recognized.

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if

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

21. Government subsidies

(1) Types

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government, but excluding the capital invested by the government as the owner of the enterprise. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

(2) Accounting treatment method

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount. The government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

Where it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: if there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; or if there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

The government capital investment is not government subsidies.

22. Deferred income tax assets and deferred income tax liabilities

(1) Recognition basis of deferred income tax assets

The balance between the book value of deferred tax assets and deferred tax liabilities and its taxable amount, as well as the temporary difference between the book value of those unrecognized as assets and liabilities but with clear taxable amount and the taxable amount should adopt law of liabilities for balance sheet to recognize deferred income tax assets and deferred income tax liabilities.

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 assets and 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.

(2) Recognition basis of deferred income tax liabilities

The balance between the book value of deferred tax assets and deferred tax liabilities and its taxable amount, as well as the temporary difference between the book value of those unrecognized as assets and liabilities but with clear taxable amount and the taxable amount should adopt law of liabilities for balance sheet to recognize deferred income tax assets and deferred income tax liabilities.

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 expected future. Otherwise, the Group should recognize the deferred income tax liabilities arising from other taxable temporary difference.

23. Operating lease and financial lease

(1) Accounting treatments of operating lease

1) The Group records the operating lease as the lessee

The rental payment 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 incurred by a lessee 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) The Group records the operating lease as the lessor

The rental income from operating leases shall be recorded by the lessor in 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 with large amount shall be capitalized upon the occurrence, and recorded into current profits and losses by using the recognition basis for rental income method over each period of the lease term; the initial direct costs with small amount shall be recorded into current profits and losses upon occurrence. 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) The Group records the finance lease as the lessee

On the lease beginning date, a lessee 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. Otherwise, the initial direct costs incurred during the process of lease negotiating and signing the leasing agreement which can be included into the items of lease shall be recorded in the asset value of the current period. The balance that the minimum lease payment minus the unrecognized financing charges should be listed as long-term liabilities and long-term liabilities due within 1 year respectively.

The unrecognized financing charges should be recorded into current financing charges measured by adopting effective interest method during the lease period. The contingent rents should be recorded into current profits and losses upon occurrence.

2) The Group records the finance lease as the lessor

On the beginning date of the lease term, a lessor 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 not guaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the not guaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. A lessor shall present the balances between the financial lease income minus the unrecognized financing income as long-term creditor's right and long-term creditor's right due within 1 year respectively.

The unrealized financing income should be recorded into current financing income measured by adopting effective interest method during the lease period. The contingent rents should be recorded into current profits and losses upon occurrence.

24. Other main accounting policies and estimates as well as compilation method of financial statements

During the process of the use of accounting policies, the group needs to judge, estimate and suppose the book value of the report items unable to be calculated exactly due to the internal uncertainty of the business activities. And these kinds of judgment, estimate and supposal are based on the historical experience of the past management of the group combining with the other related factors. These kinds of judgment, estimate and supposal will affect the reported amount of the income, cost, capital and debt as well as the disclosure of the contingent liabilities in the balance sheet date. However, the result caused by the uncertainty of the estimate will probably give rise to the significant adjustment of the book value of the asset or debt affected consequently. The group re-checks the judgment, estimate and supposal mentioned above in regular intervals based on the going concern. The change estimated by the accountant will merely have an impact on the period of the change and the influence number will be confirmed in the period of the change; if the change influences not only the period of the change but future, the influence number will be conformed in the period of the change and the future.

In the balance sheet date, the fields in which the group should judge, estimate and suppose the amount of money of the financial report items as follows:

(1) The Category of Lease

According to Accounting Standards for Business Enterprises No.21—lease the group divides the lease into operating lease and financial lease. During the process of classifying the lease, the management layer should analyze and estimate whether all the risk and remuneration related to the lease-out assets have been substantially transferred to the tenants or whether the group has substantially undertaken all the risk and remuneration related to rental assets.

(2) Provision for Bad Debt

According to the accounting policies of receivables, the group calculates the bad debt losses through the allowance method. Receivables impairment is based on the estimate of the return-ability of the receivables. The identification of the receivables impairment requires the judgment and estimate of the management layer. The difference between the actual result and the former estimate will affected the book value and the bad-debt provision or reversal of the receivables.

(3) Inventory Falling Price Reserves

According to the accounting policies of inventory, for the inventories which the cost is more than the net realizable value or the old and unsalable inventory, the inventory falling price reserves shall be made. The decrease of the value of the inventories to the net realizable value is based on the estimate of the salability and the net realizable value of the inventories. The identification of the inventory impairment requires the management layer to judge and estimate based on the exact evidence, the consideration about the purpose for holding the inventories and the effect of the matters after the balance sheet date and other factors. The difference between the actual result and the former estimate will affected the book value and the inventory falling price provision or reversal.

(4) Financial Instruments Fair Value

For the financial instruments not existing in the active trading market, the group uses many kinds of valuation methods to confirm the fair value. These kinds of methods include the Discounted Cash Flow Model of FCFE and others. During the period of the valuation the group needs to estimate the future cash flow, credit risks, market volatility and the correlation and other aspects as well as choose appropriate discount rate. The related supposals have uncertainty so that the change will influence the fair value of the financial instatement.

(5) Non-financial and Non-current assets impairment provision

In addition to the financial assets the group judges whether there are any signs to show the possibility of the non-current assets impairment. For the intangible assets with uncertain lifetime, in addition to the annual impairment tests, they will also be tested for impairment when there are any impairment signs. The other non-current assets except financial assets will be tested for impairment when there are any signs to prove that the book value can not be recovered.

When the book value of the assets or the asset group is more than the recoverable amount which means the higher of the net amount of the fair value deducting the disposal expenses and the predicted future cash flow, which means the impairment, has happened.

The net amount of the fair value deducting the disposal expense is confirmed by deducting the incremental cost which can directly belong to the asset disposal in the reference with the sales negotiated price of the similar assets and the observable market price in the fair dealing.

When the group predicts the present value of future cash flow it should make the significant judgment about the output of assets (or asset group), selling price, related operating cost and discount rate when calculating the present value. When the group estimates the recoverable amount it will use all the available related material including the prediction of the output, selling price and operating cost according to the reasonable and supportable suppose.

The group tests whether there is any goodwill impairment at least annually. The test requires the group to estimate the present value of future cash flow of the asset group or the combination of asset groups has been distributed the goodwill to. When the group estimates the present value of future cash flow it should estimate the cash flow caused by the future assets group or the combination of asset groups and choose the proper discount rate to confirm the present value of future cash flow.

(6) Depreciation and Amortization

After the consideration about the scrap value by the group the investment property, fixed assets and intangible assets can be said to require depreciation and amortization in their lifetime through the method of line. The group will re-check the lifetime at regular intervals in order to deciding the amount which will be included into the cost of depreciation and amortization. The identification of lifetime is decided based on the historic experience of the similar assets combining with the expectant technology update. If the previous estimate has a great change, the cost of depreciation and amortization will be adjusted in the future period.

(7) Development Expenditure

When the group confirms the sum of the capitalization the management should make the supposal of the anticipated future cash flow, the proper discount rate and supposal in the anticipated period of benefit.

(8) Deferred Income Tax Assets

In the limitation that there is enough taxable profit to deduct the loss in all probability, the group confirms the deferred income tax assets based on all the dormant tax losses. It requires the management layer of the group to estimate the sum and the time of occurrence of the future taxable profit through a lot of judgment combining with the tax planning strategy and confirm the sum of deferred income tax assets.

(9) Income Tax

There exists some uncertainty in the final tax treatment and calculation of the part of trade in the normal business activities of the group. The permission of the pre-tax deduction of Part of projects should be examined and approved by the tax authorities. If the final result of these tax transactions is different from the sum of the initial estimate, the difference will influence the current income tax and the deferred income tax in the final confirmation period.

V. Taxation

1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 17%, 13% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period.	17%, 13%
Business tax	Paid by 3%, 5% of taxable business income	3%, 5%
Urban maintenance and construction tax	Paid at 7%, 5%, 1% of the circulating tax actually paid	7%, 5%, 1%
Enterprise income tax	Paid at 15%, 16.5%, 25% of taxable income respectively	15%, 16.5%, 25%

The income tax rates adopted by each subsidiary and branch factory

2. Tax preference and official documents

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

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

Luthai (Hong Kong) Co., Ltd. (hereinafter refers as Luthai (Hong Kong)), 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%.

VI. Business combination and consolidated financial statement

1. Subsidiaries

(1) Subsidiaries obtained by establishment and investment

Unit: RMB yuan

Subsidiaries	Type	Registered place	Business nature	Registered capital	Business scope	Actual amount of investments at the period-end	Other essential investment	The proportion of holding shares (%)	The proportion of voting rights (%)	Included in consolidated statement	Minority interest	Deductible minority interests	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
Beijing Lufeng Sunshine Garment Co., Ltd. (hereinafter refer to as "Lufeng Sunshine")	Wholly-owned subsidiary	Beijing	Wholesale and retail industry	RMB 15,000,000.00	Wholesale of clothing and commodity; costume designing; service of technology diffusion	15,000,000.00		100%	100%	Yes			
Beijing Innovative Garment Co., Ltd. (hereinafter refer to as "Beijing Innovative")	Holding subsidiary	Beijing	Wholesale and retail industry	RMB 42,000,000.00	Design and manufacturing of clothing, adornment, fabric and trimmings; sale of self-made products	25,200,000.00		60%	60%	Yes	-360,027.66		
Luthai (Hong Kong)	Wholly-owned subsidiary	Hong Kong	Wholesale and retail industry	HKD 6,000,000.00	Import & export trade, collection of market information, information consultation	6,366,600.00		100%	100%	Yes			

Shanghai Luthai Textile Co., Ltd. (hereinafter refer to as “Shanghai Luthai”)	Wholly-owned subsidiary	Shanghai	Wholesale and retail industry	RMB 5,000,000.00	Design, technology R&D of textile and garment; wholesale of textile and garment	5,000,000.00		100%	100%	Yes			
Xinjiang Luthai Harvest Cotton Co., Ltd. (hereinafter refer to as “Xinjiang Luthai”)	Holding subsidiary	Xinjiang	Manufacturing	RMB 200,725,100.00	Purchase, processing and sale of cotton and cotton-by products; production and sales of conventional seed of crops; foreign trade, production and sale of cotton textile products; processing and sale of edible vegetable oil; wholesale and retail of agricultural materials; crops planting	117,342,316.95		59.92%	59.92%	Yes	147,243,713.68		
Lufeng Weaving & Dyeing Co., Ltd. (hereinafter refer to as “Lufeng Weaving & Dyeing”)	Holding subsidiary	Zibo	Manufacturing	RMB 706,160,000.00	Production and sale of textile and printing and dyeing products; wholesale and retail of yarn, clothing and adornment	529,620,000.00		75%	75%	Yes	252,491,182.93		
Zibo Luqun Textile	Wholly-	Zibo	Manufacturing	RMB	Production and sale	171,784,550.0		100%	100%	Yes			

Co., Ltd. (hereinafter refer to as "Luqun Textile")	owned subsidiary		ring	168,220,000.00	of cotton polyester yarn, weaving, clothing, adornment and textile	0								
Zibo Xinsheng Power Co.	Ltd. (hereinafter refer to as "Xinsheng Power")	Zibo Xinsheng Power Co.	Ltd. (hereinafter refer to as "Xinsheng Power")	RMB 162,435,600.00	Power supply, power generation, production and sale of hollow brick and cement block for architecture	176,340,737.93		100%	100%	Yes				
Xinjiang Luthai Textile Co., Ltd. (hereinafter refer to as "Xinjiang Luthai Textile")	Wholly-owned subsidiary of the holding subsidiary	Xinjiang	Manufacturing	RMB 50,000,000.00	Production and sales of cotton yarn and cotton textiles	50,000,000.00		100%	100%	Yes				
Zibo Helijie Energy Saving Technology Services Co., Ltd. (hereinafter refer to as "Helijie")	Wholly-owned subsidiary of the wholly-owned subsidiary	Zibo	Service	RMB 10,000,000.00	Development, promotion and sales of energy saving technology products; consulation of energy administration; administration service of contract	10,000,000.00		100%	100%	Yes				

					energy; development and sales of hardware and software of computers									
--	--	--	--	--	---------------------------------------------------------------------------------	--	--	--	--	--	--	--	--	--

Other notes to subsidiaries obtained by establishment and investment

2. Exchange rates of major items in financial statements for foreign entities

Item	Items of assets and liabilities	
	30 Jun. 2013	1 Jan. 2013
Luthai (Hong Kong)	HK \$1 = RMB 0.7966 yuan	HK \$1 = RMB 0.8108 yuan
Item	Items of income, expense and cash flow	
	Jan. to Jun. in 2013	Jan. to Jun. in 2012
Luthai (Hong Kong)	HK \$1 = RMB 0.8040 yuan	HK \$1 = RMB 0.8132 yuan

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

1. Monetary funds

Unit: RMB yuan

Item	Closing balance			Opening balance		
	Amount in foreign currency	Exchange rate	Amount in RMB	Amount in foreign currency	Exchange rate	Amount in RMB
Cash:	--	--	1,093,602.21	--	--	1,028,103.46
RMB	--	--	931,451.91	--	--	692,340.56
USD	11,838.11	6.1787	73,144.14	32,876.17	6.2855	206,643.17
EUR	3,773.27	8.0536	30,388.40	6,885.11	8.3176	57,267.59
JPY	19,638.00	0.0626	1,229.35	170,638.00	0.0730	12,456.58
HKD	27,884.44	0.7966	22,212.75	11,900.44	0.8108	9,648.88
THP	120.19	0.1970	23.68	120.19	0.2038	24.49
SGD	91.90	4.8470	445.44	91.90	5.0929	468.04
GBP	809.36	9.4213	7,625.22	1,794.36	10.1611	18,232.67
AUD	4,746.03	5.7061	27,081.32	4,746.03	6.5363	31,021.48
Bank deposit:	--	--	502,202,714.44	--	--	834,150,725.17
RMB	--	--	176,282,733.81	--	--	355,809,242.61
USD	41,288,755.57	6.1787	255,110,834.05	72,267,474.21	6.2855	454,237,209.23
EUR	6,698.16	8.0536	53,944.30	253,254.10	8.3176	2,106,466.30
JPY	5,456,631.00	0.0626	341,585.10	105,628,850.00	0.0730	7,710,906.06
HKD	88,392,224.33	0.7966	70,413,245.90	17,594,286.46	0.8108	14,266,310.16
CHF	57.09	6.5034	371.28	3,018.34	6.8219	20,590.81
Other monetary funds:	--	--	148,784,733.34	--	--	84,555,817.50
RMB	--	--	11,330,975.93	--	--	64,552,430.41
USD	7,624,602.04	6.1787	47,110,128.63	3,182,422.46	6.2855	20,003,116.36
EUR	18.01	8.0536	145.04	32.54	8.3176	270.66

JPY	1.00	0.0626	0.06	1.00	0.0730	0.07
HKD	113,411,352.85	0.7966	90,343,483.68			
Total	--	--	652,081,049.99	--	--	919,734,646.13

Special explanation shall be made for the accounts limited by being mortgaged, pledged or frozen, deposited overseas or with potential collecting risks:

① Other monetary funds were mainly the Company's short-term borrowing deposit, which amounted into RMB 119,864,278.65. The fixed time deposit due in 3 months of the Company is RMB 10,000,000.00.

② As of 30 Jun. 2013, the monetary funds the Group deposited in overseas amounted into RMB 16,630,908.82 (RMB 13,990,324.82 on 31 Dec. 2012), all of which was monetary fund deposit of wholly-owned subsidiary Luthai (Hong Kong).

2. Trading financial assets

(1) Trading financial assets

Unit: RMB yuan

Item	Closing fair value	Opening fair value
Derivative financial assets	16,670,160.00	18,388,641.00
Total	16,670,160.00	18,388,641.00

3. Notes receivable

(1) Category of notes receivable

Unit: RMB yuan

Category	Closing balance	Opening balance
Bank acceptance bill	9,043,286.40	44,022,124.09
Letter of credit	107,936,057.60	114,717,752.92
Total	116,979,344.00	158,739,877.01

(2) List of notes receivable transferred to accounts receivable which owing to the weak performance of the drawer, and the notes which the Company endorsed to the other party at the period-end but not expire yet.

Notes receivable which transferred to accounts receivable owing to the weak performance of the drawer

Unit: RMB yuan

Drawer units	Date of issuance	Due day	Amount	Note
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Notes:

Notes which the Company endorsed to the other party at the period-end but not expire yet.

Unit: RMB yuan

Drawer units	Date of issuance	Due day	Amount	Note
Shaoxing Jinzhongxin Textile Co., Ltd.	28 Mar. 2013	28 Sept. 2013	2,800,000.00	Yes
Shaoxing Quanxin Textile Clothing	29 May. 2013	29 Nov. 2013	2,000,000.00	Yes

Co., Ltd.				
Shaoxing Quanxin Textile Clothing Co., Ltd.	25 Apr. 2013	25 Oct. 2013	1,672,100.00	Yes
Ningbo Luomeng Economy And Trade Co., Ltd.	27 May. 2013	27 Nov. 2013	1,581,290.58	Yes
Ningbo Luomeng Economy And Trade Co., Ltd.	16 May. 2013	15 Nov. 2013	1,500,000.00	Yes
Total	--	--	9,553,390.58	--

Notes:

Notes of discounted or pledged trade acceptance

4. Accounts receivable

(1) Accounts receivable listed by categories

Unit: RMB yuan

Category	Closing balance				Opening balance			
	Book balance		Bad debt provision		Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt provisions are made on the group basis								
Aging group	192,276,360.79	99.32%	9,693,161.58	5.04%	240,213,311.45	99.46%	12,079,691.99	5.03%
Subtotal of the groups	192,276,360.79	99.32%	9,693,161.58	5.04%	240,213,311.45	99.46%	12,079,691.99	5.03%
Accounts receivable with insignificant single amount and individually withdrawn bad debt provision	1,313,784.00	0.68%	1,313,784.00	100%	1,313,784.00	0.54%	1,313,784.00	100%
Total	193,590,144.79	--	11,006,945.58	--	241,527,095.45	--	13,393,475.99	--

Notes to category of accounts receivable:

Accounts receivable with significant single amount and individually withdrawn bad debt provision

 Applicable Inapplicable

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

 Applicable Inapplicable

Unit: RMB yuan

Aging	Closing balance			Opening balance		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion		Amount	Proportion	
Within 1 year						
Including:	--	--	--	--	--	--
Within 1 year	191,558,631.72	99.62%	9,577,931.58	239,629,464.20	99.75%	11,981,473.21
Subtotal of within 1 year	191,558,631.72	99.62%	9,577,931.58	239,629,464.20	99.75%	11,981,473.21

1 to 2 years	427,948.72	0.22%	42,794.86	330,297.42	0.14%	33,029.74
2 to 3 years	144,989.58	0.08%	28,997.91	108,759.06	0.05%	21,751.81
Over 3 years	144,790.77	0.08%	43,437.23	144,790.77	0.06%	43,437.23
Total	192,276,360.79	--	9,693,161.58	240,213,311.45	--	12,079,691.99

Account receivable in the consolidation with provision for bad debt by balance percentage method:

Applicable Inapplicable

Account receivable in the consolidation with provision for bad debt by other method:

Applicable Inapplicable

Account receivable with small individual amount and provision for bad debt at the end of period

Applicable Inapplicable

Unit: RMB yuan

Content of accounts receivable	Book value	Provision for bad debts	Withdrawal proportion	Reason for withdrawal
Zichuan Liaozhai Hotel Co., Ltd.	1,168,548.00	1,168,548.00	100%	It was receivables of subsidiary Xinsheng Power aging over 3 three years. As Xinsheng Power is in bad operation and barely meet the payment that the Company made provision in full amount of its due account.
Zibo Huayang Blanket Co., Ltd.	145,236.00	145,236.00	100%	It was receivables of subsidiary Xinsheng Power aging over 3 three years. As Xinsheng Power is in bad operation and barely meet the payment that the Company made provision in full amount of its due account.
Total	1,313,784.00	1,313,784.00	--	--

(2) Information of top 5 accounts receivable:

Unit: RMB yuan

Name of entity	The relationship with the Company	Amount	Aging	Proportion
TAL	Non-related customer	24,408,588.34	Within 1 year	12.6%
PVH	Non-related customer	18,018,350.83	Within 1 year	9.31%
OXFORD	Non-related customer	17,926,388.21	Within 1 year	9.26%
Central Heating Office of Zichuan District, Zibo	Non-related customer	15,301,161.73	Within 1 year	7.9%
SEIDENSTICKER	Non-related customer	10,909,013.20	Within 1 year	5.64%

Total	--	86,563,502.31	--	44.71%
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5. Other accounts receivable

(1) Other accounts receivable disclosed by type

Unit: RMB yuan

Category	Closing balance				Opening balance			
	Balance		Provision for doubtful debts		Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable that provisions for bad debts by group								
Aging group	61,421,853.97	100%	8,557,457.24	13.93%	72,144,965.24	100%	9,093,077.75	12.6%
Subtotal of groups	61,421,853.97	100%	8,557,457.24	13.93%	72,144,965.24	100%	9,093,077.75	12.6%
Total	61,421,853.97	--	8,557,457.24	--	72,144,965.24	--	9,093,077.75	--

Notes for categories of other accounts receivable:

Other closing accounts receivable that is individually significant and provisions for bad debts individually.

Applicable Inapplicable

In the group, other accounts receivable that provision for bad debts by aging analysis:

Applicable Inapplicable

Unit: RMB yuan

Aging	Period-end			Period-begin		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion		Amount	Proportion	
Within 1 year						
Including:						
Within 1 year	33,352,250.64	54.3%	1,667,612.53	43,462,035.28	60.24%	2,173,101.76
Subtotal of within 1 year	33,352,250.64	54.3%	1,667,612.53	43,462,035.28	60.24%	2,173,101.76
1-2 years	6,939,786.03	11.3%	693,978.60	6,716,178.21	9.31%	671,617.82
2-3 years	1,430,790.83	2.33%	286,158.17	3,416,673.52	4.74%	683,334.70
Over 3 years	19,699,026.47	32.07%	5,909,707.94	18,550,078.23	25.71%	5,565,023.47
Total	61,421,853.97	--	8,557,457.24	72,144,965.24	--	9,093,077.75

In the group, other accounts receivable that provision for bad debts by balance percentage:

Applicable Inapplicable

In the group, other accounts receivable that provision for bad debts by other methods:

Applicable Inapplicable

Other closing individually insignificant but provision for bad debts individually accounts receivable:

Applicable Inapplicable

(2) Nature or details of other significant accounts receivable

Unit: RMB yuan

Name of entity	Amount	Nature or details of the amount	Proportion of the total (%)
Tianhong State-owned property Investment Operation Co., Ltd.	10,474,300.00	Paid the advanced funds for the government of the stripping assets operating funds of Xinjiang Luthai Co., Ltd.	17.05%
Total	10,474,300.00	--	17.05%

Notes:

(3) Information of top five other accounts receivable

Unit: RMB yuan

Name of entity	Relationship with the Company	Amount	Aging	Proportion of the total (%)
Tianhong State Own Assets Investment and Business Co., Ltd.	Non-related	10,474,300.00	Within 1 year, 2 to 3 years, over 3 years	17.05%
Insurance fees of farmland	Non-related	2,999,324.00	Within 1 year	4.88%
Wage margin of laborer of Zichuan District of Zibo Municipal	Non-related	2,955,620.10	1 to 2 years, over 3 years	4.81%
Advanced accounts receivable of contract accounts of contract land	Non-related	2,945,843.06	Within 1 year	4.8%
Export rebates receivable	Non-related	2,871,405.80	Within 1 year	4.68%
Total	--	22,246,492.96	--	36.22%

6. Prepayment**(1) List by aging analysis**

Unit: RMB yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	145,386,904.02	97.78%	92,196,849.31	95.83%
1 to 2 years	1,877,244.92	1.26%	3,533,474.45	3.67%
2 to 3 years	964,121.97	0.65%	22,236.99	0.02%
Over 3 years	462,936.77	0.31%	462,103.88	0.48%
Total	148,691,207.68	--	96,214,664.63	--

Notes of aging of prepayment:

(2) Information of the top 5 prepayment

Unit: RMB yuan

Name of entity	Relationship with the Company	Amount	Aging	Reason for unsettled
Jam Smith Company	Non-related-party supplier	49,666,325.58	Jun. 2013	Advance material payment
Zibo Power Supply Company of Shandong Electricity Power Corporation	Non-related-party supplier	14,515,282.24	Jun. 2013	Advance material payment
Changzhou Tonghe Textile Machinery Manufacturing Co., Ltd.	Non-related-party supplier	8,000,000.00	Jun. 2013	Advance material payment
Stanluian Machinery (Shanghai) Co., Ltd.	Non-related-party supplier	6,374,387.18	May. to Jun. 2013	Advance material payment
GLENCORE GRAIN B.V.	Non-related-party supplier	6,058,967.42	Jun. 2013	Advance processing charges
Total	--	84,614,962.42	--	--

Notes of important companies of prepayment:

7. Inventory**(1) Category**

Unit: RMB yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment of inventories	Book value	Book balance	Impairment of inventories	Book value
Raw materials	676,558,947.80	1,635,229.99	674,923,717.81	602,297,536.50	1,635,229.99	600,662,306.51
Construction contract assets	425,902,354.33		425,902,354.33	437,387,961.50		437,387,961.50
Inventory goods	684,271,922.31	34,922,596.57	649,349,325.74	667,292,187.64	44,239,970.91	623,052,216.73
Assigned processing products	24,656,325.59		24,656,325.59	23,189,842.53		23,189,842.53
Total	1,811,389,550.03	36,557,826.56	1,774,831,723.47	1,730,167,528.17	45,875,200.90	1,684,292,327.27

(2) Impairment of inventories

Unit: RMB yuan

Category	Opening balance	Withdrawal amount	Decrease		Closing balance
			Reversal	Written off	
Raw materials	1,635,229.99				1,635,229.99
Inventory goods	44,239,970.91			9,317,374.34	34,922,596.57
Total	45,875,200.90			9,317,374.34	36,557,826.56

(3) List of impairment of inventories

Item	Basic	Reason	Proportion (%)
Raw materials	The lower one between cost and net realizable value		
Inventory goods	The lower one between cost and net realizable value		

Notes:

Stocks balance for debt guarantee at the period-end is RMB 154,724,889.38, and the short-term loan gained from the bank is RMB 193,000,000.00.

8. Other current assets

Unit: RMB yuan

Item	Closing balance	Opening balance
B share re-purchase amounts		35,410,586.78
Advance payment of income tax to be deductible	6,809,425.26	11,688,929.65
The VAT input tax to be deductible	32,676,030.60	20,968,868.75
Total	39,485,455.86	68,068,385.18

Notes of other current assets:

9. Long-term equity investment**(1) List of long-term equity investment**

Unit: RMB yuan

Investee	Accounting method	Initial investment cost	Opening balance	Increase/decrease	Closing balance	Share holding percentage in investee	Voting percentage in investee	Explanation for indifferences between the share holding percentage and voting percentage in investee	Impairment provision	With draw n impairment provision in the reporting period	Cash bonus in the reporting period
Zibo Chengshun Power Co., Ltd. (hereinafter	Cost method	160,000.00	160,000.00		160,000.00	2%	2%				

refer to as “Chengshun Power”)										
Yantai Rongchang Pharmacy Co., Ltd. (hereinafter refer to as “Rongchang Pharmacy”)	Cost method	55,282,600.00	55,282,600.00		55,282,600.00	5.56%	5.56%			
Gaoqing Hongqiao Power Co., Ltd. (Hongqiao Power)	Cost method	12,000,000.00	12,000,000.00		12,000,000.00	20.68%	20.68%			
Total	--	67,442,600.00	67,442,600.00		67,442,600.00	--	--	--		

10. Fixed assets

(1) Fixed assets details

Unit: RMB yuan

Item	Opening book balance	Increase in the reporting period		Decrease in the reporting period	Closing book balance
I. Total original book value	6,986,279,110.42	106,503,341.38		26,552,751.53	7,066,229,700.27
Including: Property and building	1,995,267,970.64	68,267,441.10		2,063,535,411.74	2,063,535,411.74
Machineries	4,836,271,099.61	34,009,436.32		25,633,324.05	4,844,647,211.88
Vehicles	66,043,074.52	1,093,501.57		129,924.00	67,006,652.09
Electronic equipments and other	88,696,965.65	3,132,962.39		789,503.48	91,040,424.56
--	Opening book balance	Increase in the reporting period	Withdrawal in the reporting period	Decrease in the reporting period	Closing book balance in the reporting period
II. Accumulated depreciation	2,762,220,053.07		129,192,163.01	23,095,298.15	2,868,316,917.93
Including: Property and building	532,379,558.58		29,863,109.91		562,242,668.49
Machineries	2,133,750,268.69		92,303,338.93	22,292,518.96	2,203,761,088.66
Vehicles	42,755,742.77		2,917,120.86	116,931.60	45,555,932.03
Electronic equipments and other	53,334,483.03		4,108,593.31	685,847.59	56,757,228.75
--	Opening book balance	--			Closing book balance in the reporting period

III. The net book value of fixed assets	4,224,059,057.35	--	4,197,912,782.34
Including: Property and building	1,462,888,412.06	--	1,501,292,743.25
Machineries	2,702,520,830.92	--	2,640,886,123.22
Vehicles	23,287,331.75	--	21,450,720.06
Other equipment	35,362,482.62	--	34,283,195.81
IV. Total impairment provision	37,764,759.06	--	35,978,720.96
Including: Property and building	7,177,718.64	--	7,177,718.64
Machineries	30,445,952.98	--	28,659,914.88
Vehicles	61,235.72	--	61,235.72
Electronic equipments and other	79,851.72	--	79,851.72
V. Total book value of fixed assets	4,186,294,298.29	--	4,161,934,061.38
Including: Property and building	1,455,710,693.42	--	1,494,115,024.61
Machineries	2,672,074,877.94	--	2,612,226,208.34
Vehicles	23,226,096.03	--	21,389,484.34
Electronic equipments and other	35,282,630.90	--	34,203,344.09

Depreciation amount of this reporting period was RMB 129,192,163.01; original value of RMB 82,735,029.75 was transferred into fixed assets from construction project.

(4) Fixed assets leased out from operation lease

Unit: RMB yuan

Category	Closing book value
Property and building	958,819.47

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

Item	Reason	Estimated accomplish date
Luqun Spinning workshop	Ongoing inspection, surveying, verification to application procedures by Housing authorities	Dec. 2013
Comprehensive building 3 rd factory of spinning	Ongoing inspection, surveying, verification to application procedures by Housing authorities	Dec. 2013
Weaving and dyeing workshop	Ongoing inspection, surveying, verification to application procedures by Housing authorities	Dec. 2013
Main factory building of 6# boiler of Xinsheng Power	Ongoing inspection, surveying, verification to application procedures by Housing authorities	Dec. 2013

Notes of fixed assets

11. Construction in progress

(1) List of construction in progress

Unit: RMB yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Luthai West building, staff dormitory	54,318,852.50		54,318,852.50	33,659,027.18		33,659,027.18
Increasing production line project of 0.23 million spindle and 35,000 twister	10,735,456.41		10,735,456.41	2,781,420.05		2,781,420.05
Production line project of 40 million-meter high-grade yarn-dyed	25,325,691.68		25,325,691.68	17,557,051.15		17,557,051.15
Eastern finished fabric warehouses	304,358.79		304,358.79	2,612,122.47		2,612,122.47
Exhibition Floor	376,933.04		376,933.04	8,111,134.47		8,111,134.47
Remolding of inter-vehicle inspection workshop of arrange A factory	9,753,200.07		9,753,200.07	9,137,851.73		9,137,851.73
50 million-meter high-grade yarn-dyed fabric project	61,079,178.96		61,079,178.96	44,367,984.78		44,367,984.78
Spinning project of Xinjiang Luthai	13,969,676.72		13,969,676.72	11,955,662.58		11,955,662.58
Office district project of Xinjiang Luthai	1,054,709.73		1,054,709.73	2,542,456.61		2,542,456.61
Xinjiang Luthai worker dormitory building project	42,570,977.27		42,570,977.27	34,930,688.12		34,930,688.12
Shanghai Luthai office building project	0.00		0.00	3,632,142.00		3,632,142.00
Xinsheng power renovation project	15,872,071.98		15,872,071.98	13,587,627.65		13,587,627.65
Other small projects	33,611,664.06		33,611,664.06	57,561,579.63		57,561,579.63
Total	268,972,771.21		268,972,771.21	242,436,748.42		242,436,748.42

(2) Changes in significant construction in progress

Unit: RMB yuan

Name of project	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	Project input percentage of budget	Project process	Capitalization of interest	Including: capitalization of interest this period	Capitalization of interest rate (%)	Source of funding	Closing balance
Lufeng Weaving & D	659,930,000.00	44,367,984.78	29,430,456.76	12,719,262.58		78%	78%				Other	61,079,178.96

yeing 50 million-mete r high-grade yarn-dyed fabric project												
Increasing production line project of 0.23 million spindle and 35,000 twister	928,660,000.00	2,781,420.05	7,954,036.36	0.00	1.16%	1.16%					Other	10,735,456.41
Total	1,588,590,000.00	47,149,404.83	37,384,493.12	12,719,262.58	--	--				--	--	71,814,635.37

Notes of changes in construction in progress:

(3) Information of procedures of significant construction in progress

Item	Project process	Note
Lufeng Weaving & Dyeing 50 million-meter high-grade yarn-dyed fabric project	78%	The process of the project is measured on basis of proportion of the actual cost occurred to total contract projected cost
Increasing production line project of 0.23 million spindle and 35,000 twister	1.16%	The process of the project is measured on basis of proportion of the actual cost occurred to total contract projected cost

12. Engineering materials

Unit: RMB yuan

Item	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance
Specific materials	1,037,636.00	190,750.00	273,924.00	954,462.00
Specific equipments	11,019,938.11	41,205,275.99	20,449,157.26	31,776,056.84
Total	12,057,574.11	41,396,025.99	20,723,081.26	32,730,518.84

Notes of engineering materials

13. Clearance of fixed assets

Unit: RMB yuan

Item	Opening book value	Closing book value	Reason for transferring to clearance

Notes of clearance process of fixed assets with a clearance term of over 1 year since the transfer into fixed assets:

14. Intangible assets

(1) Information

Unit: RMB yuan

Item	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance
I. Total original book value	370,084,842.11	484,300.00		370,569,142.11
Land use right	262,640,698.56	484,300.00		263,124,998.56
Land use right of Xinsheng Power	12,155,433.14			12,155,433.14
Lufeng Weaving & Dyeing-land use right	53,490,972.94			53,490,972.94
Luqun Textile-land use right	39,632,561.00			39,632,561.00
Franchise of patent	1,985,176.47			1,985,176.47
Software use right	180,000.00			180,000.00
II. Accumulative amortization	51,071,349.58	5,221,482.37		56,292,831.95
Land use right	39,488,666.45	3,908,652.82		43,397,319.27
Land use right of Xinsheng Power	3,437,936.26	253,671.66		3,691,607.92
Lufeng Weaving & Dyeing-land use right	3,184,204.76	541,552.95		3,725,757.71
Luqun Textile-land use right	4,350,420.47	418,346.10		4,768,766.57
Franchise of patent	430,121.64	99,258.84		529,380.48
Software use right	180,000.00			180,000.00
III. Total net book value of intangible assets	319,013,492.53	-4,737,182.37	0.00	314,276,310.16
Land use right	223,152,032.11	-3,424,352.82	0.00	219,727,679.29
Land use right of Xinsheng Power	8,717,496.88	-253,671.66	0.00	8,463,825.22
Lufeng Weaving & Dyeing-land use right	50,306,768.18	-541,552.95	0.00	49,765,215.23
Luqun Textile-land use right	35,282,140.53	-418,346.10	0.00	34,863,794.43
Franchise of patent	1,555,054.83	-99,258.84	0.00	1,455,795.99
Software use right				
Land use right				
Land use right of Xinsheng Power				
Lufeng Weaving & Dyeing-land use right				
Luqun Textile-land use right				

Franchise of patent				
Software use right				
Total book value of intangible assets	319,013,492.53	-4,737,182.37		314,276,310.16
Land use right	223,152,032.11	-3,424,352.82		219,727,679.29
Land use right of Xinsheng Power	8,717,496.88	-253,671.66		8,463,825.22
Lufeng Weaving & Dyeing-land use right	50,306,768.18	-541,552.95		49,765,215.23
Luqun Textile-land use right	35,282,140.53	-418,346.10		34,863,794.43
Franchise of patent	1,555,054.83	-99,258.84		1,455,795.99
Software use right				

Amortization was of RMB 5,221,482.37 in the reporting period.

15. Goodwill

Unit: RMB yuan

Name of investee or event that generated goodwill	Opening balance	Increase in the reporting period	Decrease in the reporting period	Closing balance	Impairment provision at period-end
Xinsheng Power	20,563,803.29			20,563,803.29	
Helijie	50,000.00			50,000.00	
Total	20,613,803.29			20,613,803.29	

Notes of test method of goodwill impairment and impairment withdrawal method:

Test method of goodwill impairment and impairment withdrawal method please refer to "Intangible assets impairment".

16. Long-term amortization expense

Unit: RMB yuan

Item	Opening balance	Increase	Amortization balance	Other decrease	Closing balance	Reason for other decrease
Xinjiang Luthai land contact fee	1,806,377.50		47,536.25		1,758,841.25	
Total	1,806,377.50		47,536.25		1,758,841.25	--

Notes of long-term amortization expense:

17. Deferred tax assets and liabilities

(1) Deferred tax assets and liabilities are not listed as the net value after offset

Deferred tax assets and liabilities that already recognize

Unit: RMB yuan

Item	Closing balance	Opening balance
Deferred income tax assets:		
Provision for assets impairment	14,878,104.03	16,976,279.74
Deductible losses	798,864.40	798,864.40
One-time listed decoration expenses	2,444,978.46	2,444,978.46
Offset unrealized internal profit	8,525,848.49	8,115,176.73
Payroll payable	21,127,049.79	21,127,049.79
Deferred income	9,535,534.01	9,637,102.90
Subtotal	57,310,379.18	59,099,452.02
Deferred income tax liabilities:		
Estimated value of trading financial instruments, derivative financial instruments	2,500,524.00	2,758,296.16
Depreciation of fixed assets	2,084,865.51	2,122,160.67
Subtotal	4,585,389.51	4,880,456.83

List of unrecognized deferred income tax assets

Unit: RMB yuan

Item	Closing balance	Opening balance
Deductible temporary	3,757,181.89	3,537,112.36
Deductible losses	42,913,777.06	31,869,029.25
Total	46,670,958.95	35,406,141.61

Deductible losses of unrecognized deferred income tax assets will due in the following years

Unit: RMB yuan

Year	Closing balance	Opening balance	Remark
2016	10,558,689.66	10,558,689.66	
2017	21,310,339.59	21,310,339.59	
2018	11,044,747.81		
Total	42,913,777.06	31,869,029.25	--

List of taxable differences and deductible differences items

Unit: RMB yuan

Item	Temporary differences amount	
	As at period-end	As at period-begin
Taxable differences items		
Provision for assets impairment	88,343,768.45	102,589,401.34
One-time listed decoration expenses	16,299,856.42	16,299,856.42
Offset unrealized internal profit	56,838,989.95	54,101,178.24
Payroll payable	130,632,424.53	130,632,424.53

Deferred income	63,570,226.73	64,247,352.65
Deductible different item	4,625,206.38	4,625,206.38
Subtotal	360,310,472.46	372,495,419.56
Deductible different items		
Depreciation of fixed assets	12,635,548.48	12,861,579.82
Fair value change on trading financial assets	16,670,160.00	18,388,641.00
Subtotal	29,305,708.48	31,250,220.82

(2) Deferred income tax assets and liabilities are listed as the net value after offset

Composition items of the deferred income tax assets and liabilities after offset

Unit: RMB yuan

Item	Deferred income tax assets and liabilities at the end of the period	Deferred deductible or taxable temporary differences at the end of the period	Deferred income tax assets and liabilities at the opening of the period	Deferred deductible or taxable temporary differences at the opening of the period
Deferred income tax assets	57,310,379.18	360,310,472.46	59,099,452.02	372,495,419.56
Deferred income tax liabilities	4,585,389.51	29,305,708.48	4,880,456.83	31,250,220.82

Notes of differed income tax assets and liabilities after offset:

Unit: RMB yuan

Item	Amount
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Notes of differed income tax assets and liabilities:

18. List of provision for assets impairment

Unit: RMB yuan

Item	Opening balance	Increase in this period	Decrease in this period		Closing balance
			Reversal	Written off	
I. Provision for bad debt	22,486,553.74		2,922,150.92		19,564,402.82
II. Provision for inventory falling price	45,875,200.90			9,317,374.34	36,557,826.56
III. Impairment provision of fixed assets	37,764,759.06			1,786,038.10	35,978,720.96
Total	106,126,513.70		2,922,150.92	11,103,412.44	92,100,950.34

Notes of provision for assets impairment

19. Other non-current assets

Unit: RMB yuan

Item	Closing balance	Opening balance
Advance payment for land	43,401,290.00	7,890,690.00
Total	43,401,290.00	7,890,690.00

Notes of other non-current assets

20. Short-term loan**(1) Category**

Unit: RMB yuan

Category	Closing balance	Opening balance
Pledge loan	119,864,278.65	115,700,000.00
Mortgage loan	259,900,000.00	300,000,000.00
Guarantee loan	655,744,475.64	999,378,463.05
Total	1,035,508,754.29	1,415,078,463.05

Notes of short-term loan:

21. Notes payable

Unit: RMB yuan

Category	Closing balance	Opening balance
Trade acceptance bill	11,791,680.02	9,512,094.30
Total	11,791,680.02	9,512,094.30

RMB 11,791,680.02 will be due in next fiscal period.

Notes of notes payable:

22. Accounts payable**(1)**

Unit: RMB yuan

Item	Closing balance	Opening balance
Within 1 year	285,071,673.50	315,414,084.45
1 to 2 years	9,569,327.64	3,947,206.36
2 to 3 years	1,418,841.71	2,014,595.70
Over 3 years	7,154,726.59	6,119,741.05

Total	303,214,569.44	327,495,627.56
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(2) The accounts payable to shareholders with more than 5% (including 5%) of the voting shares of the Company

Unit: RMB yuan

Name of entity	Closing amount	Opening amount
Lucheng Textile	136,159.00	136,159.00
Total	136,159.00	136,159.00

23. Advance from customers

(1)

Unit: RMB yuan

Item	Closing amount	Opening amount
Within 1 year	94,047,803.31	113,970,732.04
1 to 2 years	1,353,952.20	1,280,263.87
2 to 3 years	133,951.85	52,720.55
Over 3 years	211,383.86	241,279.11
Total	95,747,091.22	115,544,995.57

24. Payroll payable

Unit: RMB yuan

Item	Opening book balance	Increase	Decrease	Closing book balance
I. Salary, bonus, allowance, subsidy	323,735,743.61	483,721,529.34	551,701,594.70	255,755,678.25
II. Employee welfare		23,801,320.49	23,801,320.49	
III. Social insurance	2,248,742.54	101,197,850.32	85,402,387.50	18,044,205.36
Including: 1. Medical insurance premiums	313,768.51	24,907,981.58	20,765,300.61	4,456,449.48
2. Basic pension benefits	1,472,725.94	68,930,834.43	57,727,568.91	12,675,991.46
3. Unemployment insurance	347,239.82	3,778,688.24	3,387,451.94	738,476.12
4. Work-related injury insurance	55,989.77	2,083,661.41	2,061,123.34	78,527.84
5. Maternity insurance	59,018.50	1,496,684.66	1,460,942.70	94,760.46
IV. Housing fund	23,143.44	8,407,665.61	7,721,741.04	709,068.01
V. Other	21,607,022.95	13,722,237.68	9,822,330.81	25,506,929.82
Including: Labor union budget and employee education budget	21,607,022.95	10,271,721.92	6,371,815.05	25,506,929.82
Non-monetary benefits		3,450,515.76	3,450,515.76	

Total	347,614,652.54	630,850,603.44	678,449,374.54	300,015,881.44
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RMB 0.00 is the amounts in arrears in the payroll payable.

The labor union budget and employee education budget is RMB 25,506,929.82, and the non-monetary benefits are RMB 0.00, as well as the compensation for terminating the labor contract is RMB 0.00.

Arrangements of the estimate release time and amount of the payroll payable

Estimate release time	Amount
2013	187,245,016.54
2014	68,510,661.71
Total	255,755,678.25

25. Taxes payable

Unit: RMB yuan

Item	Closing balance	Opening balance
Value-added tax	3,951,134.23	3,237,299.89
Business tax	353,610.39	630,477.37
Corporate income tax	19,073,402.42	11,138,117.27
Personal income tax	8,930,295.68	3,019,326.84
Urban maintenance and construction tax	23,324,276.68	13,076,642.51
Stamp tax	274,237.90	348,211.32
Property tax	3,702,746.45	4,964,587.44
Land use tax	2,653,750.53	3,220,347.27
Education surtax	10,017,316.86	5,607,408.51
Local education surtax	7,081,725.08	3,753,018.53
Local water conservancy facility construction fund	2,926,539.90	1,878,450.24
Total	82,289,036.12	50,873,887.19

Notes of taxes payable: for the taxable income of branch companies and factories approved to be inter-adjusted by their local tax authorities, the Company shall specified their calculation procedure.

26. Interest payable

Unit: RMB yuan

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	2,108,528.82	2,670,262.59
Total	2,108,528.82	2,670,262.59

Notes of interest payable:

27. Dividends payable

Unit: RMB yuan

Name of company	Closing balance	Opening balance	Reason for unsettlement over 1 year
Individual shareholders' dividends paid by the Group	441,966.54	441,966.54	Individual shareholders didn't withdraw cash dividends on previous years
Individual shareholders' dividends-Share B paid by the Group	54,824.00		Individual shareholders didn't withdraw cash dividends in 2012
Total	496,790.54	441,966.54	--

Notes:

28. Other accounts payable

(1)

Unit: RMB yuan

Item	Closing balance	Opening balance
Within 1 year	133,342,560.87	80,383,995.60
1 to 2 years	7,903,659.08	20,070,508.16
2 to 3 years	11,414,043.32	5,785,959.10
Over 3 years	26,836,043.01	29,559,732.84
Total	179,496,306.28	135,800,195.70

(2) Other accounts payable from shareholders with more than 5% (including 5%) of the voting shares of the Company

Unit: RMB yuan

Name of entity	Closing balance	Opening balance
Lucheng Textile	69,900,000.00	43,900,000.00
Total	69,900,000.00	43,900,000.00

(3) Notes of the other large amount accounts payable aging over 1 year

Name of creditor	Amount	Reason for unsettlement	Whether pay after the Balance Sheet Date or not?
Cotton and Jute Company	11,925,000.00	Received earnest money for Sale Contract	No
Deposit for trees planting	9,104,082.50	Deposit received	No
Workshop disbursements of 63 thousand cotton spinning of the factory owner	6,226,771.81	Disbursements	No
Total	27,255,854.31		

(4) Notes of other accounts payable with significant amount

Name of creditor		Closing balance
Lucheng Textile	69,900,000.00	Borrowed accounts
Cotton and Jute Company	11,925,000.00	Received earnest money for Sale Contract
Deposit for trees planting	9,104,082.50	Deposit received
Workshop disbursements of 63 thousand cotton spinning of the factory owner	6,226,771.81	Disbursements
Total	27,255,854.31	

29. Non-current liabilities due within 1 year**(1)**

Unit: RMB yuan

Item	Closing balance	Opening balance
Long-term loan due within 1 year	61,787,000.00	12,851,550.00
Total	61,787,000.00	12,851,550.00

(2) Long-term loan due within 1 year

Long-term loan due within 1 year

Unit: RMB yuan

Item	Closing balance	Opening balance
Credit loan	61,787,000.00	12,851,550.00
Total	61,787,000.00	12,851,550.00

RMB000 of long-term loan due within 1 year was of mature loan with extended term.

Top five long-term loans due within 1 year

Unit: RMB yuan

Creditor	Starting date	Ending date	Currency	Rate (%)	Closing balance		Opening balance	
					Foreign currency balance	RMB balance	Foreign currency balance	RMB balance
China Construction Bank Corporation Zibo Zichuan Sub branch	5 Mar. 2007	5 Mar. 2013	EUR	1.86%			1,000,000.00	8,317,600.00
China Construction Bank	26 Mar. 2007	25 Mar. 2013	USD	1.37%			450,000.00	2,828,475.00

Corporation Zibo Zichuan Sub branch								
China Construction Bank Corporation Zibo Zichuan Sub branch	29 Mar. 2007	29 Mar. 2013	EUR	2.54%			250,000.00	1,705,475.00
Bank of East Asia (China) Co., Ltd. Beijing Branch	19 Mar. 2013	18 Apr. 2014	USD	2.27%	10,000,000.00	61,787,000.00		
Total	--	--	--	--	--	61,787,000.00	--	12,851,550.00

Mature loan of long-term loan due within 1 year:

Unit: RMB yuan

Creditor	Amount of loan	Overdue date	Annual rate (%)	Usage	Reason for unsettlement	Estimated settle date
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RMB000 was paid back after Balance Sheet Date:

Notes of long-term borrowings due within 1 year:

30. Long-term loan

(1) Category of long-term loan

Unit: RMB yuan

Item	Closing balance	Opening balance
Credit loan	61,787,000.00	12,851,550.00
Less: long-term loan due within 1 year (ann otations VII, 29)	-61,787,000.00	-12,851,550.00

Notes:

31. Long-term payable

(1) The top five long-term payable

Unit: RMB yuan

Company	Term	Initial amount	Rate (%)	Accrued interest	Closing balance	Conditions of loan
Electric power bonds payable		9,735,560.00			9,735,560.00	Credit

32. Other non-current liabilities

Unit: RMB yuan

Item	Closing book balance	Opening book balance
Deferred income	63,570,226.73	64,247,352.65
Other	1,840,000.00	1,840,000.00
Total	65,410,226.73	66,087,352.65

Notes of other non-current liabilities, including each government grants relevant to assets and income received in the reporting period and their closing amounts:

Of which, list of the differed incomes as follows:

Item	Closing book balance	Opening book balance
Government subsidy related to the assets	63,570,226.73	64,247,352.65
Including : Land subsidy	63,570,226.73	64,247,352.65
Total	63,570,226.73	64,247,352.65

33. Share capital

Unit: RMB yuan

	Opening balance	Increase/Decrease (+/-)					Closing balance
		Issuing new shares	Bonus shares	Capitalization of public reserves	Other	Subtotal	
Total shares	1,008,894,800.00				-4,257,000.00	-4,257,000.00	1,004,637,800.00

Notes of changes in share capital, for those action of increasing capital or decreasing capital in the reporting period, the Company shall disclose the name of the accounting firm executing the capital verification and document number of the capital verification report; for joint-stock companies running for less than three years, only the net assets shall be specified for particulars before establishment; while for case of totally changing the limited liability companies into joint-stock companies, capital verification on the establishment shall be specified:

The equity decreased 4,257,000.00 shares. According to the About the Repurchase Cancellation of the Motion Does Not Comply with the Incentive Target Excitation Conditions of Restricted Stock Have Been Granted but Not Yet Unlocked and the About the Repurchase Cancellation of the Motion of Restricted Stock Have Not Yet been Unlocked in Second Unlock Period of 26th meeting of the sixth board of directors held on 27 Mar. 2013 the company repurchase canceled 4,257,000.00 shares which did not comply with the incentive target excitation conditions and haven been granted but not yet unlocked. The decrease in equity had been examined by RSM China CPA (Special General Partnership) and on 28 May. 2013 the company issued the capital verification report RSM Yan Zi [2013] No. 0165.

34. Treasury stock

Notes of treasury stock:

Item	Opening amount	Increase	Decrease	Closing amount
Shares of the Company purchased owning to the registered capital decreased	272,794,496.52	20,207,865.00	20,207,865.00	272,794,496.52
Total	272,794,496.52	20,207,865.00	20,207,865.00	272,794,496.52

Notes: The 26th meeting of the sixth board of directors held on 27 Mar. 2013 to consider About the Repurchase Cancellation of the Motion Does Not Comply with the Incentive Target Excitation Conditions of Restricted Stock Have Been Granted but Not Yet Unlocked and the About the Repurchase Cancellation of the Motion of Restricted Stock Have Not Yet been Unlocked in Second Unlock Period repurchase canceled 4,257,000.00 shares which did not comply with the incentive target excitation conditions and haven been granted but not yet unlocked and counted the shares as treasury share according to the repurchased money.

35. Capital reserves

Unit: RMB yuan

Item	Opening amount	Increase	Decrease	Closing amount
Capital premium (share capital premium)	1,160,050,168.91		15,950,865.00	1,144,099,303.91
Other capital reserves	67,791,302.51	4,833,210.94		72,624,513.45
Other comprehensive income	2,350,000.00			2,350,000.00
Total	1,230,191,471.42	4,833,210.94	15,950,865.00	1,219,073,817.36

Notes of capital reserves:

①The investor's invested capital amount decreased of RMB 15,950,865.00 in the reporting period, which is due to the re-purchasing and log off of the awarded limited shares of the original incentive targets that did not meet with the incentive standard, with the amount of 4,257,000.00 shares.

②The increase of RMB 4,833,210.94 on other capital reserves was mainly because RMB 4,801,767.48 was recognized on fair value of share-based instruments that settled by equity method.

36. Surplus reserves

Unit: RMB yuan

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	575,932,797.68			575,932,797.68
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	579,274,370.26			579,274,370.26

Notes of surplus reserves: for surplus reserves transferred to share capital, compensating losses and distributed as dividends, relevant resolutions shall be explained:

The Group withdrew 10% of net profit of the statutory surplus reserves according to the Companies Act and its articles of association.

37. Retained profits

Unit: RMB yuan

Item	Amount	Withdrawal or distributed proportion
Opening balance of retained profits before adjustments	2,729,178,150.40	--
Opening balance of retained profits after adjustments	2,729,178,150.40	--
Add: Net profit distributable to owners of the Company	416,175,890.38	--
Dividend of common stock payable	267,624,138.88	
Closing retained profits	2,877,729,901.90	--

List of adjustment of opening retained profits:

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

Notes: as for IPO companies, if the accumulated profits were enjoyed by new and original shareholders according to the resolutions made at the shareholders' general meeting before public offering, the Company shall explain clearly; if the accumulated profits were distributed before public offering and enjoyed by the original shareholders according to the resolutions made at the shareholders' general meeting, the Company shall clearly disclose the audited profits of dividends payable enjoyed by the original shareholders.

38. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Unit: RMB yuan

Item	Reporting period	Same period of last year
Sales of main business	2,976,710,964.24	2,724,452,576.74
Other operating income	83,784,290.93	83,572,988.02
Cost of sales	2,184,574,937.90	2,055,106,728.52

(2) Main business (Classified by industry)

Unit: RMB yuan

Industry	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Textile and apparel	2,616,382,415.59	1,820,282,658.11	2,502,951,569.95	1,803,668,572.18
Cotton	222,917,964.19	196,699,415.84	54,482,474.92	44,457,699.53
Electricity and gas	102,696,182.88	85,247,430.26	94,492,825.45	88,624,820.99

Other	34,714,401.58	28,892,231.74	72,525,706.42	67,142,781.86
Total	2,976,710,964.24	2,131,121,735.95	2,724,452,576.74	2,003,893,874.56

(3) Main business (Classified by product)

Unit: RMB yuan

Product	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
Fabric products	2,034,521,635.12	1,427,276,223.26	1,865,722,025.87	1,375,834,973.23
Skirts	581,860,780.47	393,006,434.85	637,229,544.08	427,833,598.95
Cotton	222,917,964.19	196,699,415.84	54,482,474.92	44,457,699.53
Electricity, gas	102,696,182.88	85,247,430.26	94,492,825.45	88,624,820.99
Other	34,714,401.58	28,892,231.74	72,525,706.42	67,142,781.86
Total	2,976,710,964.24	2,131,121,735.95	2,724,452,576.74	2,003,893,874.56

(4) Main business (Classified by area)

Unit: RMB yuan

Area	Reporting period		Same period of last year	
	Revenue of sales	Costs of sales	Revenue of sales	Costs of sales
HK	224,302,228.93	157,348,013.59	285,635,416.39	210,627,556.05
Japan and South Korea	229,106,611.11	157,602,520.53	252,372,289.46	176,888,732.22
Southeast Asia	756,460,493.16	530,619,265.08	596,972,072.78	440,207,206.47
Europe and America	472,572,057.53	322,753,717.65	547,688,476.30	379,679,573.56
Other	348,347,623.44	243,824,599.27	302,652,040.67	221,737,508.39
Domestic sales	945,921,950.07	718,973,619.83	739,132,281.14	574,753,297.87
Total	2,976,710,964.24	2,131,121,735.95	2,724,452,576.74	2,003,893,874.56

(5) The revenue of sales from the top five customers

Unit: RMB yuan

Customer	Main business revenue	Proportion of total business revenue (%)
Customer A	226,532,852.81	7.4%
Customer B	209,316,111.53	6.84%
Customer C	158,321,583.06	5.17%
Customer D	139,140,545.94	4.55%
Customer E	126,606,144.07	4.14%
Total	859,917,237.41	28.1%

Notes of revenue of sales

39. Business tax and surtax

Unit: RMB yuan

Item	Reporting period	Same period of last year	Calculation and payment standard
Business tax	542,993.23		3%-5% of actual business tax
Urban maintenance and construction tax	16,639,250.33	1,161,154.79	7%, 5%, 1% of actual taxed turnover tax
Education surtax	7,315,311.26	640,488.41	3% of actual taxed turnover tax
Local education surtax	4,873,761.88	395,249.19	2% of actual taxed turnover tax
Local water conservancy construction fund	2,364,331.12	164,042.54	1% of actual taxed turnover tax
Total	31,735,647.82	2,360,934.93	--

Notes:

40. Selling expenses

Unit: RMB yuan

Item	Reporting period	Same period of last year
Traffic expenses	15,953,266.62	14,470,087.74
Wages	22,813,166.45	19,110,079.21
Cost of stores	11,651,026.60	12,730,760.29
Advertisement fees	1,991,766.54	4,834,242.43
Port surcharge	3,561,927.93	3,404,402.39
Copyright payment	1,170,135.27	1,260,357.38
Office marketing expenses		886,365.07
Rental expenses	1,827,036.45	1,340,184.25
CIF	1,102,879.93	2,249,102.05
Patent fees	1,603,574.50	1,704,121.64
Other	20,137,059.86	15,170,588.64
Total	81,811,840.15	77,160,291.09

41. Administration expenses

Unit: RMB yuan

Item	Reporting period	Same period of last year
R&D expenses	115,069,711.84	134,443,313.63
Wages	52,398,919.79	33,198,646.91

Depreciation expenses	11,438,349.42	13,675,265.82
Taxes	14,195,779.04	12,151,962.03
Share-based payment fees	4,801,767.48	31,344,966.24
Warehouse funds	8,792,074.55	6,661,582.86
Repair expenses	2,230,827.22	303,255.79
Amortization of intangible assets	4,382,491.06	4,337,877.39
Labor union expenditures	5,523,182.75	5,181,560.20
Insurance expenses	3,301,928.88	4,390,298.66
Traffic expenses	3,376,939.23	3,818,330.01
Other	35,310,358.13	31,896,712.04
Total	260,822,329.39	281,403,771.58

42. Financial expenses

Unit: RMB yuan

Item	Reporting period	Same period of last year
Interest expenses	22,196,732.55	33,444,498.22
Interest costs	-1,916,200.18	-2,769,714.80
Exchange gains and losses	-102,155.03	2,054,424.96
Other	4,158,562.94	4,008,622.57
Total	24,336,940.28	36,737,830.95

43. Gains and losses from changes in fair value

Unit: RMB yuan

Source	Reporting period	Same period of last year
Trading financial assets	-1,718,481.00	-20,939,380.00
Including: gains from the changes in fair value of derivative financial instruments	-1,718,481.00	-20,939,380.00
Trading financial liabilities		-10,107,650.00
Total	-1,718,481.00	-31,047,030.00

Notes:

44. Investment income

(1) List of investment income

Unit: RMB yuan

Item	Reporting period	Same period of last year
Investment income arising from disposal of long-term equity investments		-549,000.00
Investment income received from disposal of trading financial assets	17,649,677.42	19,601,638.49
Total	17,649,677.42	19,052,638.49

45. Impairment losses

Unit: RMB yuan

Item	Reporting period	Same period of last year
I. Bad debts losses	-2,922,150.92	3,155,937.27
Total	-2,922,150.92	3,155,937.27

46. Non-operating gains

(1)

Unit: RMB yuan

Item	Reporting period	Same period of last year	The amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets	2,363,171.75	459,008.99	2,363,171.75
Including: Gains from disposal of fixed assets	2,363,171.75	459,008.99	2,363,171.75
Government grants	12,871,925.92	16,550,426.92	12,871,925.92
Other	2,834,657.53	3,143,506.16	2,834,657.53
Total	18,069,755.20	20,152,942.07	18,069,755.20

(2) List of government grants

Unit: RMB yuan

Item	Reporting period	Same period of last year	Note
Technical Transformation special fund	1,500,000.00		Notice on the 2013 Plan to Issue the Technical Transformation Special Fund for Autonomous Regions by the Financial Department and the Economic and Information Commission of The Xinjiang Uygur Autonomous Region (Xin-Jin-Gui-Hua[2013] No.191)
Subsidies for Moving	5,216,300.00		Notice on Printing and Distributing Management Method on

Xinjiang Cotton Storehouses out of Xinjiang			Subsidy for Moving the Storehouse of Xinjiang Cotton out of Xinjiang by Finance department (Cai-Jian[2011]No.1157)
Agriculture Industrialization Development Specific Fund	200,000.00		Notice on the Appropriation of the Specific Financial Fund for Autonomous Regions to Support the Agriculture Industrialization Development in 2013 by The Xinjiang Uygur Autonomous
Financial Subsidies	62,500.00		Notice on Issuing Financial Subsidy on Loans of Supporting the Poor Project of 2012 by Aksu Prefecture Bureau of Finance and the Poverty Relief and Development Office of Aksu Prefecture (A-Di-Cai-Fu [2013] No.5)
Subsidies For the Farmland Waste Mulch Comprehensive Control Project	1,730,000.00		Implementation Agreement of the Farmland Waste Mulch Comprehensive Control Project of Awat County by Awat County Agriculture Bureau
Science And Technology Award	50,000.00		The Measures of Zibo City to Reward the Science and Technology by Zibo People's Government (Zibo People's Government Notice No. 87)
Patent Grant	86,000.00		Notice on the Acceptance of the Application for Patent Grant in the Second Half of 2011 by Administration Committee of Zibo High-tech Industrial Development Zone
Provincial Governor Quality Award	100,000.00		Notice on Allotting Subsidy for Government Quality Reward of Shandong Province by Work Leading Group of "Quality Help to Thriving Shandong Province" Lu-Zhi-Qiang-Ban-Zi [2013] No.1
Science and Technology Award	100,000.00		Decision on Zibo City Science and Technology Award of Zibo City People's Government by Zibo City People's Government (Zi-Zheng-Fa [2012] No.34)
Subsidies for Building Energy Efficiency	80,000.00		Notice on Issuing the Central Financial Subsidies for the Supervision System of the Public Building Energy Efficiency by the Department of Energy Conversation and Science and Technology of Shandong Urban and Rural Housing Construction Department
Subsidies for Public Rental Housing	2,750,000.00		Notice on Issuing the Specific Subsidies for Indemnificatory Comfortable Housing Project by Zibo City Finance Bureau (Ai-Ai-Fei-Shui-Zhi [2012] No.11)
Energy Conversation Award	300,000.00		Bulletin on the Commendation of the Enterprises As Well As the Achievement Wining Zibo City Energy Conversation Award by Zibo City People's Government (Zi-Zheng-Zi [2012] No.54)
Patent Development Fund	20,000.00		Notice on the Printing and Issuing the Administrative Measures of Shandong Patent Development Specific Fund by Shandong General Office of Finance and Shandong Intellectual Property
Subsidies for Xinjiang		4,233,848.00	Notice on Printing and Distributing Management Method on

Cotton out of Xinjiang			Subsidy for Xinjiang Cotton out of Xinjiang by Finance Bureau
Financial award funds on transform of energy-saving technology		2,660,000.00	Notice on Draft Allocating Budget Target Financial Award Funds on Transform of Energy-saving Technology (Phase II) of 2011 (Zi-Cai-Zheng-Zhi [2011] No.108)
Rewards such as Reward for energy-saving and consumption reduction		1,160,000.00	Circular of People's Government of Zichuan District on Rewarding Part of Enterprises and Projects of 2012 (Chuan-Wei [2012] No. 16)
Special funds for Independent Innovation		1,786,000.00	Notice on Allocating Special Funds for Independent Innovation ([2012] No.6) of Finance Bureau of Zichuan District
Subsidies for export credit premium		450,000.00	Notice on Issuing Budget Target of Subsidy for Export Credit Premium of 2011 by the State of Zibo Finance Bureau (Zi-Cai-Qi-Zhi [2011] No.46)
Subsidies on heat metering and energy efficiency		402,000.00	Notice on Publishing Allotment Method of Awards for Heating Measurement and Energy-saving Innovation Project of Existing Residential Buildings of 2009 (Lu-Jian-Jie-Ke-Zi [2010] No.4) of Housing and Urban-Rural Development Bureau
Subsidies on Heat metering and energy efficiency		300,000.00	Notice on Forward Notice on Putting Forward Heating Metering and Energy Efficiency of Existing residential heating system in North China and Gathering and Submitting Relevant Materials such as Energy-saving Goals etc. (Lu-Cai-Jian [2011] No.14) of Finance Bureau of Shandong Province and Housing and Urban-Rural Development Bureau
Special Funds for Development of Agricultural Product Process Enterprises		300,000.00	Notice on Issuing Special Fund for the Development of Agricultural Product Processing Enterprises by Financial Support of Autonomous Region of 2012 ([2012] No.69) of the Finance Bureau of Aksu District
Scientific and technological progress award		200,000.00	Award Method on Science and technology of Shandong Province (Trial)
Government Quality Reward of Shandong Province President		200,000.00	Notice on Allotting Subsidy for Government Quality Reward of Shandong Province by Work Leading Group of "Quality Help to Thriving Shandong Province"
Import subsidies		162,500.00	Notice on Issuing Budget Target of Import Subsidies of 2011 (Zi-Cai-Qi-Zhi [2011] No.91)
Financial subsidies on loans of supporting the poor project		150,000.00	Notice on Issuing Financial Subsidy on Loans of Supporting the Poor Project of 2011 of the finance bureau in Aksu (A-Di-Cai-Fu [2012] No.2)
Receipt of discount interest on loans of township enterprises		100,000.00	Notice on Allotting More Special Funds on Supporting Agricultural Product Process Enterprises and Township Enterprises of Autonomous of 2011 (Xin-Nong-Chan-Cai [2011] No.16) of Xinjiang Uygur Autonomous Region

Special funds for development of enterprises and colleges as well as training base		100,000.00	Notice on Issuing Budget Target of Special Funds for Development of Enterprises and Colleges as well as Training Base of 2011 (Zibo-Finance Bureau Document Cai-Qi) of Finance Bureau of Zibo
Scientific and technological progress award		60,000.00	Circular on Commending Scientific and Technological Progress Award of Y2011 of People's Government of Zichuan District (Chuan-Zheng-Fa [2012] No.9)
Reward for energy-saving and consumption reduction		10,000.00	Circular of People's Government of Zichuan District on Rewarding Advanced Units and Advanced Enterprises in Zichuan District in Energy-saving and Consumption Reduction in 2011 (Chuan-Zheng-Fa [2012] No.11)
Scientific and technological progress award		20,000.00	Award Method on Science and technology of Shandong Province
Subsidies for overseas patent application		10,000.00	Notice on Issuing Budget Target of Subsidy for Overseas Patent Application of 2011 (Chuan-Cai-Jiao-Zhi [2012] No.2)
Subsidies for export credit premium		41,000.00	Notice on Providing Premium Subsidies For Enterprises Involved in Export Credit Insurance (Zi-Zheng-Ban-Zi [2009] No.96)of the General Office of People's Government of Zibo Municipality
Subsidies for Transferring Xinjiang Cotton Yarn to Warehouses out of Xinjiang		1,162,200.00	The Circular on Printing and Distributing the Notice on Temporary Management Method for Subsidies for Transferring Xinjiang Cotton Yarn to Warehouses Out of Xinjiang (Cai-Jian [2009] No. 561) of Ministry of Finance
Local support fund		2,365,753.00	Notice on Printing and Distributing Management Method for Key Economic Parks in Gaoqing County (Gao-Cai-Fa [2002] No.28) of People's Government of Gaoqing County and Supplementary Agreement Signed between People's Government of Gaoqing County, the Management Committee of Economic Development District of Gaoqing County, and the Company
Amortization of deferred income	677,125.92	677,125.92	Amortization of deferred income
Total	12,871,925.92	16,550,426.92	--

Notes of non-operating incomes

47. Non-operating expenses

Unit: RMB yuan

Item	Reporting period	Same period of last year	The amount included in the current non-recurring gains and losses
Loss on disposal of non-current assets	122,406.85	626,520.62	

Including: Loss on disposal of fixed assets	122,406.85	626,520.62	
External donation	211,289.70	1,152,386.12	
Penalty expense	17,875.00	10,771.24	
Compensation expense	525,859.57	353,029.87	
Other	6,325.17	100.71	
Total	883,756.29	2,142,808.56	

Notes of non-operating expenses

48. Income tax expense

Unit: RMB yuan

Item	Reporting period	Same period of last year
Current income tax expense accounted by tax and relevant regulations	82,161,607.41	49,041,744.23
Adjustment of income tax	1,531,300.69	724,474.56
Total	83,692,908.10	49,766,218.79

49. Calculation procedure of basic earnings per share and diluted earnings per share

The basic EPS should be calculated by the current net profits which belongs to the Company's common shareholders, to divides the weighted average of the common shares outstanding. The new issued common shares should according to the specific clauses of the issued contract, and should be calculated and confirmed from the date of accounts receivable of consideration (generally as the issue date of shares).

The molecule of the gains of diluted EPS belongs to the Company's current net profit of the common shareholders, and would confirmed after the adjustments as below: (1) The interest of the diluted potential common shares confirmed in the reporting period; (2) Profits or expenses from the conversion of the diluted potential common shares; and (3) the above influences of the adjustment of the income taxes.

The denominator of the gains of diluted EPS equals to the sum of the following two points: (1) In the basic EPS gains, the weighted average of the issued common shares of the Company; and (2) the weighted average of the increased common shares owing to the conversion of the assumed diluted potential common shares.

When calculating the weighted average of the issued shares which increased owing to the conversion of the diluted potential common shares, those diluted potential common shares issued in the previous period, should be assumed to convert at the year-begin; and the diluted potential common shares issued in the current year, should be assumed to convert on the issuance date.

(1) List of earnings per share and diluted earnings per share in each period

Profit in reporting period	Reporting period		Same period of last year	
	Basic EPS	Diluted EPS	Basic EPS	Diluted EPS
Net profit belongs to the Company's common shareholders	0.43	0.43	0.30	0.30
Net profit distributable to common shareholders of the Company after	0.41	0.41	0.30	0.30

deducting non-recurring gains and losses				
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(2) Calculation procedure of basic EPS and diluted EPS

During the reporting period, there were no diluted potential common shares in the Company so that EPS-diluted equaled to basic EPS.

① When calculated the EPS-basic, the net profits distributable to common shareholders were as follows:

Items	Reporting period	Same period of last year
Net profit distributable to common shareholders of the Company	416,175,890.38	301,503,288.19
Of which: Net profit distributable to continual operating	416,175,890.38	301,503,288.19
Net profit distributable to discontinued operating		
Net profit distributable to common shareholders of the Company after deducting non-recurring gains and losses	393,419,324.10	302,733,028.86
Of which: Net profit distributable to continual operating	393,419,324.10	302,733,028.86
Net profit distributable to terminated operating		

② When calculated the EPS-basic, the denominator refers to the weighted average amount of outstanding issued common shares, and the accounting process as follows:

Items	Reporting period	Same period of last year
Amount of outstanding issued common shares at period-begin	960,057,496.00	1,008,954,800.00
Add: weighted average amount of common shares issued at current period		
Deduct: weighted average amount of common shares repurchased at current period	709,500.00	
Weighted average amount of outstanding issued common shares at period-end	959,347,996.00	1,008,954,800.00

50. Other comprehensive income

Unit: RMB yuan

Item	Reporting period	Same period of last year
1. Converted amount of foreign currency financial statements	-812,926.81	207,989.91
Subtotal	-812,926.81	207,989.91

Total	-812,926.81	207,989.91
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Notes of other comprehensive income

65. Notes of Cash Flow Statement**(1) Other cash received relevant to operating activities**

Unit: RMB yuan

Item	Amount
Government subsidy	12,194,800.00
Collection for employees	2,232,858.01
Claim income	1,164,796.51
Penalty income	99,654.82
Recovery of employee borrowings, petty cash and deposit	262,731.52
Other	14,393,297.04
Total	30,348,137.90

Notes:

(2) Other cash paid relevant to operating activities

Unit: RMB yuan

Item	Amount
Transportation fees	26,019,025.74
Rent for sales counters and administration expense	9,120,311.37
Rent	4,817,647.93
Advertising fees	4,437,801.95
Business travel fee	4,202,866.01
Insurance expense	3,312,588.56
Bank charges	1,579,021.34
Inspection charges	1,343,956.89
Copyright royalty	1,820,132.08
Audit, consultancy and public notice expenses	1,610,930.87
Decoration and maintenance expense	2,957,590.26
Water and electricity expense	21,085.53
External donations	211,289.70
Advance for agricultural materials	2,998,800.00
Other	56,451,907.57
Total	120,904,955.80

Notes:

(3) Other cash received relevant to investment activities

Unit: RMB yuan

Item	Amount
Interest income	1,916,200.18
Trading financial assets investment income	17,649,677.42
Took back the margin of civilized construction	1,271,454.48
Total	20,837,332.08

Notes:

(4) Other cash paid relevant to financing activities

Unit: RMB yuan

Item	Amount
Converted and re-purchased accounts of Share B	35,410,586.78
Accounts	78,000,000.00
Took back the margin of Xinjiang Luthai's loan	16,950,000.00
Total	130,360,586.78

Notes

(5) Other cash paid relevant to financing activities

Unit: RMB yuan

Item	Amount
Accounts paid back to related parties	53,900,000.00
Re-purchasing accounts of limited shares	20,207,865.00
Short-term loan margin	119,864,278.65
Total	193,972,143.65

Notes

52. Supplemental information for Cash Flow Statement**(1) Supplemental information for Cash Flow Statement**

Unit: RMB yuan

Supplemental information	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operations:	--	--
Net profit	429,559,997.78	308,349,593.63
Add: Provision for assets impairments	-2,922,150.92	3,155,937.27
Depreciation of fixed assets, oil-gas assets and productive biological assets	129,192,163.01	197,372,381.53

Amortization of intangible assets	5,221,482.37	5,260,142.03
Amortization of long-term deferred expense	47,536.25	
Losses/gains on disposal of property, intangible asset and other long-term assets (gains: negative)	-2,240,764.90	-296,249.12
Losses/gains on scrapped of fixed assets (gains: negative)		463,760.75
Losses/gains from variation of fair value (gains: negative)	1,718,481.00	31,047,030.00
Financial cost (income: negative)	20,178,377.34	29,576,388.66
Investment loss (gains: negative)	-17,649,677.42	-19,052,638.49
Decrease in deferred tax assets (increase: negative)	1,789,072.84	3,865,381.56
Increase in deferred tax liabilities (decrease: negative)	-295,067.32	-3,129,129.57
Decrease in inventory (increase: negative)	-90,539,396.20	-13,030,658.03
Decrease in accounts receivable from operating activities (increase: negative)	22,295,309.84	110,529,861.85
Increase in accounts payable from operating activities (decrease: negative)	-5,608,443.50	-237,072,334.61
Net cash flows generated from operating activities	490,746,920.17	417,039,467.46
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of Cash	530,885,795.41	439,679,107.11
Less: opening balance of cash	900,182,215.72	811,148,146.93
The net increase in cash and cash equivalents	-369,296,420.31	-371,469,039.82

(2) Relevant information of acquisition or disposal of subsidiaries and other operation entities in the reporting period

Unit: RMB yuan

Supplemental information	Reporting period	Same period of last year
I. Relevant information on acquisition of subsidiaries and other operation entities:	--	--
II. Relevant information on disposal of subsidiaries and other operation entities	--	--
1. Price of disposal of subsidiaries and other operation entities		951,000.00
2. Cash and cash equivalents received for disposal of subsidiaries and other operation entities		951,000.00
3. Net cash received from disposal of subsidiaries and other operation entities		951,000.00

(3) Composition of cash and cash equivalents

Unit: RMB yuan

Item	Closing balance	Opening balance
I. Cash	530,885,795.41	900,182,215.72
Including: Cash on hand	1,093,602.21	1,028,103.46
Bank deposit on demand	502,202,714.44	834,150,725.17
Other monetary funds on demand	27,589,478.76	65,003,387.09
II. Closing balance of cash and cash equivalents	530,885,795.41	900,182,215.72

Notes

VIII. Related Parties and Related-party Transactions**1. Information of the parent company of the Company**

Parent company	Relationship	Business Type	Registered place	Legal Representative	Business nature	Registered Capital	The parent company's shareholding (%)	The parent company's voting right (%)	The ultimate controlling party of the Company	Organization Code
Lucheng Textile	Controlling shareholder	Limited Liability Company	Zibo	Liu Shizhen	Textile, electric power, pharmaceutical investment	63,260,000	12.27%	12.27%	Liu Shizhen	16420039-1

Notes:

2. Information of subsidiaries of the Company

Full name	Type	Business type	Registered place	Legal representative	Business nature	Registered capital	Percentage of Shareholding (%)	Percentage of voting right (%)	Organization code
Beijing Lufeng Sunshine Clothing Co., Ltd. (hereinafter referred to as "Lufeng Sunshine")	Controlling subsidiary	Private enterprise	Beijing	Liu Shizhen	Wholesale and retail trades	RMB 15,000,000	100%	100%	55488176-X

Beijing Sichuang Clothing Co., Ltd. (hereinafter refer to as "Beijing Sichuang")	Controlling subsidiary	Private enterprise	Beijing	Liu Shizhen	Wholesale and retail trades	RMB 42,000,000	60%	60%	71774843-8
Luthai (Hong Kong)	Controlling subsidiary	Private enterprise	Hong Kong	Liu Shizhen	Wholesale and retail trades	HKD 6,000,000	100%	100%	
Shanghai Luthai Textile Clothing Co., Ltd. (hereinafter refer to as "Shanghai Luthai")	Controlling subsidiary	Private enterprise	Shanghai	Liu Shizhen	Wholesale and retail trades	RMB 5,000,000	100%	100%	56659750-4
Xinjiang Luthai Fengshou Cotton Co., Ltd. (hereinafter refer to as "Xingjiang Luthai")	Controlling subsidiary	Private enterprise	Xinjiang	Liu Shizhen	Manufacturing	RMB 200.730,000	59.92%	59.92%	75165238-4
Lufeng Textile	Controlling subsidiary	Private enterprise	Zibo	Liu Shizhen	Manufacturing	RMB 706,160,000	75%	75%	76001835-0
Zibo Luqun Textile (hereinafter refer to as "Zibo Luqun Textile")	Controlling subsidiary	Private enterprise	Zibo	Liu Shizhen	Manufacturing	RMB 168,220,000	100%	100%	76870633-4
Zibo Xinsheng Power Co., Ltd. (hereinafter refer to as "Xinsheng Power")	Controlling subsidiary	Private enterprise	Zibo	Liu Shizhen	Manufacturing	RMB 16,243,560,000	100%	100%	61329023-1
Xinjiang Luthai Textile Co., Ltd. (hereinafter refer to as "Xinjiang Luthai Textile")	Controlling subsidiary	Private enterprise	Xinjiang	Liu Shizhen	Manufacturing	RMB 50,000,000	100%	100%	05317660-8
Zibo Helijie Energy Saving Technology Service Co., Ltd. (hereinafter refer to as "Helijie")	Controlling subsidiary	Private enterprise	Zibo	Li Tongmin	Service	RMB 10,000,000	100%	100%	57287269-9

3. Information of joint ventures and associated enterprises

Name	Relationship	Organization code
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Affiliated person (same chairman as the Company)	61329036-2
Zibo Taimei Tie Co., Ltd. (hereinafter refer to as "Taimei Tie")	Controlling subsidiary of the parent company	61329035-4
Zibo Limin Purified Water Co., Ltd. (hereinafter refer to as "Limin Purified Water")	Wholly-owned subsidiary of the parent company	76575998-3
Zibo Luqu Land Co., Ltd. (hereinafter refer to as "Luqu Land")	Wholly-owned subsidiary of the parent company	77630667-2
Chengshun Power Co., Ltd.	Wholly-owned subsidiary of the parent company	69544896-X
Limin Walling Material	Controlling subsidiary of wholly-owned subsidiary of the parent company	56251579-4
Hongqiao Hearting	Other	75449967-X

Notes:

4. Related-party transactions

(1) Purchase of goods and acceptance of service

Unit: RMB yuan

Related party	Content of the transaction	Pricing method and decision-making procedures for the transaction	Reporting period		Same period of last year	
			Amount	Proportion (%)	Amount	Proportion (%)
Lucheng Textile	Towel, sock, oil products etc.	Market price	3,291,551.44	64.51%	2,470,111.77	100%
Lucheng Textile	Fine staple cotton	Market price			1,596,593.14	0.33%
Lucheng Textile	Processing charges for the leg of a stocking	Market price	341,159.32	0.26%	228,021.26	0.17%
Stanluian Company	Gift box for cosmetic, lotion, washing-up liquid, Liquid soap, etc.	Market price	70,216.10	100%	75,159.42	100%
Taimei Ties	Processing charges for commodities and quilt cover	Market price	437,453.01	0.33%	577,601.73	0.42%
Taimei Ties	Purchase of ties	Market price			183,858.97	100%
Limin	Sewage disposal	Market price	5,562,421.20	100%	3,302,232.84	100%

Purified Water						
Limin Walling Material	Building materials	Market price	194,049.56	1.61%		
Hongqiao Heating	Electricity, steam	Market price	29,139,798.88	17.91%		

Sales of goods and rendering of service

Unit: RMB yuan

Related party	Content of the transaction	Pricing method and decision-making procedures for the transaction	Reporting period		Same period of last year	
			Amount	Proportion (%)	Amount	Proportion (%)
Lucheng Textile	Materials, electricity, running water and steam	Market price	129,187.99	0.17%	148,541.60	1.57%
Lucheng Textile	Dyed yarn, facing material and garments	Market price	337,012.82	0.02%	319,686.50	0.01%
Taimei Ties	Electricity, heating charges, garment etc.	Market price	14,402.84	0%	9,259.95	0.11%
Stanluian Company	Materials, electricity, running water and heating charges	Market price	27,321.39	0%	20,083.86	0.21%
Limin Purified Water	Materials and garment, etc.	Market price	4,381.74	0%	84,516.53	0.01%
Chenshun Heating	Materials, heating power, low temperature hot water and garment, etc.	Market price	2,381,827.08	0.31%	3,210,811.85	3.4%

(2) Information of related-party lease

Rental situation of the Company

Unit: RMB yuan

Name of lessor	Name of lessee	Category of the leased assets	Initial date	Ending date	Pricing basis for the rental income	Rental income recognized in the reporting period
Luthai Textile	Lucheng Textile	House and building	1 July. 2008	31 Dec. 2013	Market price	76,818.00
Xinsheng Power	Chengshun Power	House and building	1 Jan. 2013	31 Dec. 2013	Market price	2,250.00

Lease situation of the Company

Unit: RMB yuan

Name of lessor	Name of lessee	Category of the leased assets	Initial date	Ending date	Pricing basis for the lease charges	Lease charges recognized in the reporting period
Lucheng Textile	Luthai Textile	Rent of land	1 Jan. 2013	31 Dec. 2015	Market price	1,897,800.00
Lucheng Textile	Luthai Textile	Rent of gas station	1 Aug. 2008	31 Dec. 2013	Market price	241,278.00
Lucheng Textile	Luthai Textile	Rent of land and buildings	1 Jan. 2008	31 Dec. 2013	Market price	201,720.00
Luqun Land	Luthai Textile	Rent of land and buildings	1 Jan. 2013	31 Dec. 2015	Market price	901,200.00
Lucheng Textile	Lufeng Weaving & Dyeing	Rent of buildings	1 Jan. 2013	31 Dec. 2015	Market price	348,600.00

Notes of related-party lease

(3) Related-party call loan

Unit: RMB yuan

Related party	Amount of call loan	Initial date	Due date	Note
Loan from banks and other financial institutions				
Lucheng Textile	78,000,000.00	6 Mar. 2013	31 Dec. 2013	Accounts borrowed by Luqun Textile in the reporting period, and already paid back 43,900,000 yuan for the previous accounts borrowed in the reporting period ; already paid back 8.1 million yuan for the loans of those years in the reporting period
Chenshun Power	4,700,000.00	17 Jan. 2012	31 Dec. 2013	Accounts borrowed by Luqun Textile in the last year, and already paid back 1.9 million yuan
Taimei Ties	2,650,000.00	5 Jan. 2011	31 Dec. 2013	Accounts borrowed by Luqun Textile in 2011
Stanluian Company	2,190,000.00	5 Jan. 2011	31 Dec. 2013	Accounts borrowed by Luqun Textile in 2011
Lending to banks and other financial institutions				

(4) Information about assets transfer, debt reorganization of related parties Unit: RMB yuan

Reporting	Same	Reporting	Same period	Reporting period	Same period of last year
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period	period of last year	period	of last year	Amount	Proportion (%)	Amount	Proportion (%)
Lucheng Textile	Purchasing	Purchasing spinning machine	Market price			4,718,535.99	1.88%
Limin Purified Water	Purchasing	Purchasing storage bucket	Market price	2,399.67	0.01%	133,142.88	0.05%

5. Amounts due from/to related parties

Amount due from related parties

Unit: RMB yuan

Name	Related party	Closing balance		Opening balance	
		Book balance	Bad debts provision	Book balance	Bad debts provision

Amount due to related parties

Unit: RMB yuan

Name	Related party	Closing balance	Opening balance
Accounts payable:	Lucheng Textile	136,159.00	136,159.00
Other accounts payable	Lucheng Textile	69,900,000.00	43,900,000.00
Other accounts payable	Chengshun Power	2,800,000.00	4,700,000.00
Other accounts payable	Taimei Ties	2,650,000.00	2,650,000.00
Other accounts payable	Stanluian Company	2,190,000.00	2,190,000.00

IX. Share-based Payment

1. Overview of share-based payment

Unit: RMB yuan

Total of each equity instrument expired in the reporting period	4,257,000.00
Scope of excising price and remaining contract term of stock options that externally issued as at the period-end	5.025 yuan/share, 26 months

Notes:

"Luthai Textile Co., Ltd. 2011 Restricted Stock Incentive Plan (revised draft)" (hereinafter referred to as "Incentive Plan") has been passed in the Company's 2011 second extraordinary general meeting, and its main content is as follows:

(1) The category of the underlying stocks: The underlying stocks of the incentive target awarded by the incentive plan were the Luthai Textile limited stocks.

(2) The source of the underlying stocks: The source of the underlying stocks of the incentive target awarded by the incentive plan was the RMB common shares (A shares) of Luthai Textile that the Company issued directionally to the incentive target.

(3) The incentive target: Through the statistics of the Remuneration and Appraisal Committee and the audition of the boards of supervisors, the staff amounted to 344 people, who met with the qualification of the incentive target of this plan, would be 2.15% of the Luthai Textile staff as to 31 Dec. 2013, including one direct relative of the actual controller.

(4) Notes of the restricted period plan of the stocks: The term of validity of this incentive plan was 48 months, and would be counted from the date of award of the underlying stocks. The lock-up period of the limited stocks, which the Company awarded to the incentive target, would be 12 months counted from the date of award. During the lock-up period, the limited stocks which were owned by the incentive target through this plan would not be transferred. The unlocking period was 36 months after the lock-up period and during which, if met with the unlocking situations of this incentive plan, the incentive target could unlock the stocks of three times application, which were 12 months, 24 months, 36 months after the date of award respectively, and would receive 40%, 30%, 20% respectively of the total of the limited stocks by applying unlock.

(5) The unlock conditions: The plan awarded the incentive target of three-term unlock of the limited stocks, of which met with the unlock conditions during the unlocking period; the incentive target could apply for the unlocking as well as the listing and circulating of the stocks. The arrangement of the unlocking and the performance conditions of the Company would be listed as the form below:

Unlocking arrangement	Performance conditions	Unlocking proportion
The first unlocking after 12 months of the award date	The rate of the 2011 net assets profits was not less than the twice of the average level of the listed companies of same industry; the growth rate of the 2011 net profits was not less by 15% than 2011; the net amount of the 2011 operating cash flow was not less than the current net profit.	40%
The second unlocking after 24 months of the award date	The rate of the 2012 net assets profits was not less than the twice of the average level of the listed companies of same industry; the growth rate of the 2012 net profits was not less by 25% than 2011; the net amount of the 2012 operating cash flow was not less than the current net profit.	30%
The third unlocking after 36 months of the award date	The rate of the 2013 net assets profits was not less than the twice of the average level of the listed companies of same industry; the growth rate of the 2013 net profits was not less by 35% than 2011; the net amount of the 2013 operating cash flow was not less than the current net profit.	30%

The net profit deducting the non-recurring gains and losses belong to the shareholders of the Company during each year of 2011 and 2013 were not less than the average level of the current three accounting years (2008, 2009, and 2010) before the award date and at the same time should not be negative. When calculating the growth rate of the net profits, the index of the net profits should base on the lower one of the “net profits belong to the shareholder of the listed companies” and the “net profits deducting of the non-recurring gains and losses belongs to the listed companies”.

The incentive target applies for the unlocking of the limited stocks awarded according this plan, should meet with the following

conditions in addition to meeting with the Company's performance conditions listed above:

The Company had not happened each of the following situations yet: Had been issued by the CPA of the negative advice or the CPA could not offer any advice for any of the financial and accounting report of current accounting year; had been sentenced of administrative penalties by the CSRC of the significant violation behaviors within one year; and the other situations that the CSRC considered not to carry out the incentive plan of the limited stocks.

The incentive target had not happened each of the following situations: During the current three years had been condemned in public or been announced as unsuitable candidate by Securities Exchange; during the current three years had been sentenced of administrative penalties by the CSRC of the significant violation behaviors; had the situation set by the "Corporation Law" that not to take charge of the directors, supervisors and senior managers; the incentive target ended the labor contract unilateral before the compliment of this plan; the Company had sufficient evidences that could prove the violations, or serious dereliction of duty, malfeasance that had ruined the Company's interests as well as the reputation by the misappropriation of funds, job occupation, theft, leakage of the management and technical secrets, which led the great losses of the Company; the performance appraisal passed of the last year before the unlocking of the incentive target was according to the "Implementation Assessment Methods of The Incentive Plan of The Limited Stocks of Luthai Textile Co., Ltd.".

(6) The awarded quantity and price of the limited stocks: The amount of the limited stocks of the incentive target awarded by the incentive plan is 14,090,000 shares, and the awarded price is RMB 5.025.

The 23rd meeting of the sixth board of directors of the company reviewed and passed the resolution of Motion about the Repurchase Cancellation of the Restricted Stocks Have Been Granted to the Original Incentive Targets Does Not Comply with the Incentive Target Excitation Conditions on Aug. 13, 2012. The original incentive targets Liu Qingchun and Shi Qian do not comply with the Article 1 of the restricted stock incentive plan of the company, The Unlock arrangement and Assessment Conditions of Restricted Stock because they had left their jobs in the assessment period. Thus the company repurchased and canceled all the 60,000.00 shares had granted to them with RMB 5.025 per share.

The 23rd meeting of the sixth board of directors of the company passed Motion about the Restricted stocks Can Be Unlocked in the First Unlock Period of the Incentive Plan. 40% of the restricted stocks, 5.612 million shares, were unlocked for the first patch.

According to the About the Repurchase Cancellation of the Motion Does Not Comply with the Incentive Target Excitation Conditions of Restricted Stock Have Been Granted but Not Yet Unlocked and the About the Repurchase Cancellation of the Motion of Restricted Stock Have Not Yet been Unlocked in Second Unlock Period of 26th meeting of the sixth board of directors held on

27 Mar. 2013 the company repurchase canceled 4,257,000.00 shares which did not comply with the incentive target excitation conditions and haven been granted but not yet unlocked.

As of Jun. 30, 2013 the restricted stocks had not yet been unlocked were 4.161 million shares.

2. Information of equity-settled share-based payment

Unit: RMB yuan

Recognition method on fair value of equity instruments at the grant date	The closing price of A-share on the day before the grant day
Recognition method on the best estimate of the number of vesting equity instruments	Whether employee service conditions and non-market conditions in incentive plan of the Company meet with the best estimate
Accumulated amount of equity-settled share-based payment in capital reserves	56,020,620.80
Total expense recognized for the equity-settle share-based	56,020,620.80

payment	
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Notes:

X. Contingency

1. Contingent liabilities and its financial effect arising from loan guarantee offered to other companies

Other contingent liabilities and its financial effect:

As to 30 Jun. 2013, information about physical assets pledged by controlled subsidiaries for the purpose of acquiring bank loans.

Company	Pledged asset	Asset value	Acquired loan	Term of borrowing
Xinjiang Luthai	Inventory	154,724,889.38	193,000,000.00	2012.11.15-2013.9.17
Xinjiang Luthai	Land-use right	7,933,760.45	37,000,000.00	2012.8.30-2013.8.29
Xinjiang Luthai	Land-use right	18,178,494.20	29,900,000.00	2013.4.10-2014.3.12

XI. Commitments

1. Significant commitments

Unit: RMB ten thousand yuan

Item	Closing balance	Opening balance
Commitments signed but hasn't been recognized in financial statements		
- Commitment for constructing and purchasing long-term assets	23,882	12,143.17
Total	23,882	12,143.17

2. Fulfillment of prior commitments

Item	Contracted amount (RMB Ten thousand)	Fulfillment of prior commitments
Commitment for constructing and purchasing long-term assets	12,143.17	Fulfilled

XII. Notes of other significant events

1. Assets and liabilities measured by fair value

Unit: RMB yuan

Item	Opening amount	Changes of gains and losses of fair value in the reporting period	Accumulative changes of fair value included in equity	Withdrawn impairment in reporting period	Closing amount
Financial assets					
Derivative financial assets	18,388,641.00	-1,718,481.00			16,670,160.00
Subtotal of financial assets	18,388,641.00	-1,718,481.00			16,670,160.00
Total of above	18,388,641.00	-1,718,481.00			16,670,160.00
Financial liabilities	0.00				0.00

2. Foreign currency financial assets and liabilities

Unit: RMB yuan

Item	Opening amount	Changes of gains and losses of fair value in the reporting period	Accumulative changes of fair value included in equity	Withdrawn impairment in reporting period	Closing amount
Financial assets					
Derivative financial assets	18,388,641.00	-1,718,481.00			16,670,160.00
Loans and accounts receivable	779,130,834.14				712,524,542.48
Subtotal of financial assets	797,519,475.14	-1,718,481.00			729,194,702.48
Financial liabilities	936,814,644.61				757,408,483.32

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

1. Accounts receivable

(1) Accounts receivable

Unit: RMB yuan

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable for which bad debt provisions are made on the group basis								

Aging groups	197,109,364.43	100%	14,332,496.27	7.27%	243,212,168.85	100%	15,871,872.83	6.53%
Subtotal of groups	197,109,364.43	100%	14,332,496.27	7.27%	243,212,168.85	100%	15,871,872.83	6.53%
Total	197,109,364.43	--	14,332,496.27	--	243,212,168.85	--	15,871,872.83	--

Notes to category of accounts receivable:

Accounts receivable with significant single amount and individually withdrawn bad debt provision at period-end

Applicable Inapplicable

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

Applicable Inapplicable

Unit: RMB yuan

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:	--	--	--	--	--	--
Within 1 year	150,108,781.64	76.15%	7,505,439.08	210,747,757.45	86.65%	10,537,387.87
Subtotal for those aging within 1 year	150,108,781.64	76.15%	7,505,439.08	210,747,757.45	86.65%	10,537,387.87
1-2 years	35,618,365.31	18.07%	3,561,836.53	14,950,074.94	6.15%	1,495,007.49
2-3 years	1,494,445.85	0.76%	298,889.17	14,148,234.65	5.82%	2,829,646.93
Over 3 years	9,887,771.63	5.02%	2,966,331.49	3,366,101.81	1.38%	1,009,830.54
Total	197,109,364.43	--	14,332,496.27	243,212,168.85	--	15,871,872.83

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

Applicable Inapplicable

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

Applicable Inapplicable

Accounts receivable with insignificant single amount but individually withdrawn bad debt provision at period-end:

Applicable Inapplicable

(2) Top five accounts receivable

Unit: RMB yuan

Name of company	Relationship	Amount	Term	Proportion (%)
Beijing Sichuang Clothing Co., Ltd.	Controlling subsidiary	62,139,768.20	Within 1 year, 1 to 3 years, over 3 years	31.53%
TAL	Non-related	20,034,575.70	Within 1 year	10.16%

	customer			
OXFORD	Non-related customer	15,179,131.94	Within 1 year	7.7%
PVH	Non-related customer	14,760,953.60	Within 1 year	7.49%
SEIDENSTICKER	Non-related customer	7,562,189.67	Within 1 year	3.84%
Total	--	119,676,619.11	--	60.72%

(3) Accounts receivable due from related parties

Unit: RMB yuan

Name of company	Relationship	Amount	Proportion (%)
Beijing Sichuang	Controlling subsidiary	62,139,768.20	31.53%
Luthai (Hong Kong)	Wholly-owned subsidiaries	296,875.98	0.15%
Lufeng Sunshine	Wholly-owned subsidiaries	82,473.94	0.04%
Total	--	62,519,118.12	31.72%

2. Other accounts receivable

(1) Other accounts receivable

Unit: RMB yuan

Category	Closing balance				Opening balance			
	Book balance		Provision for bad debts		Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable for which bad debt provisions are made on the group basis								
Aging groups	33,276,926.87	100%	4,456,554.21	13.39%	37,263,140.09	100%	3,421,759.50	9.18%
Subtotal of groups	33,276,926.87	100%	4,456,554.21	13.39%	37,263,140.09	100%	3,421,759.50	9.18%
Total	33,276,926.87	--	4,456,554.21	--	37,263,140.09	--	3,421,759.50	--

Notes of category:

Other accounts receivable with significant single amount and individually withdrawn bad debt provision at period-end:

 Applicable Inapplicable

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

 Applicable Inapplicable

Unit: RMB yuan

Aging	Closing balance			Opening balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year						
Including:	--	--	--	--	--	--
Within 1 year	13,124,183.03	39.44%	656,209.15	20,350,775.63	54.61%	1,017,538.78
Subtotal for those aging within 1 year	13,124,183.03	39.44%	656,209.15	20,350,775.63	54.61%	1,017,538.78
1-2 years	6,189,197.05	18.6%	618,919.71	12,419,307.04	33.33%	1,241,930.70
2-3 years	10,076,386.82	30.28%	2,015,277.36	1,856,272.02	4.98%	371,254.40
Over 3 years	3,887,159.97	11.68%	1,166,147.99	2,636,785.40	7.08%	791,035.62
Total	33,276,926.87	--	4,456,554.21	37,263,140.09	--	3,421,759.50

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

Applicable Inapplicable

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

Applicable Inapplicable

Other accounts receivable with insignificant single amount but individually withdrawn bad debt provision at period-end:

Applicable Inapplicable

(2) Top five other accounts receivable

Unit: RMB yuan

Name of company	Relationship	Amount	Term	Proportion (%)
Shanghai Luthai	Come-and-go money	16,032,460.54	Within 1 year, 1 to 3 years, over 3 years	48.19%
Export rebates receivable	Export rebates	2,871,405.80	Within 1 year	8.63%
Payment for Staff dormitories	Re-purchasing amount of the staff dormitories	2,150,255.10	1 to 2 years, over 3 years	6.46%
Deposits for wages paid to migrant workers in Zichuan District, Zibo	Guarantee margin of the migrant workers' wages of infrastructural project	1,458,593.50	1 to 2 years, over 3 years	4.38%
Overseas Sales Department	Paid exports of air freight etc.	540,102.93	Within 1 year	1.62%
Total	--	23,052,817.87	--	69.28%

(3) Other account receivable due from related parties

Unit: RMB yuan

Name of company	Relationship	Amount	Proportion (%)
Shanghai Luthai	Wholly-owned subsidiary	16,032,460.54	48.19%
Total	--	16,032,460.54	48.19%

3. Long-term equity investments

Unit: RMB yuan

The investee	Accounting method	Initial investment cost	Opening balance	Increase/decrease	Closing balance	Shareholding Proportion	Voting right Proportion	Explanations on differences between shareholding proportion and voting right proportion	Provision for impairment loss	Withdrawal amount of impairment provision in the reporting period	Cash bonus in the reporting period
Beijing Sichuang	Cost method	25,200,000.00	25,200,000.00		25,200,000.00	60%	60%				
Xinjiang Luthai	Cost method	117,342,316.95	117,342,316.95		117,342,316.95	59.92%	59.92%				
Xinsheng Power	Cost method	176,340,737.93	176,340,737.93		176,340,737.93	100%	100%				
Lufeng Weaving & Dyeing	Cost method	529,620,000.00	529,620,000.00		529,620,000.00	75%	75%				
Luqun Textile	Cost method	171,784,550.00	171,784,550.00		171,784,550.00	100%	100%				
Luthai (Hong Kong)	Cost method	6,366,600.00	6,366,600.00		6,366,600.00	100%	100%				
Lufeng Sunshine	Cost method	15,000,000.00	15,000,000.00		15,000,000.00	100%	100%				
Shanghai Luthai	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100%	100%				
Rongchang Pharmacy	Cost method	55,282,600.00	55,282,600.00		55,282,600.00	5.56%	5.56%				
Total	--	1,101,936,804.88	1,101,936,804.88		1,101,936,804.88	--	--	--			

Notes:

4. Revenue and Cost of Sales

(1) Revenue and Cost of Sales

Unit: RMB yuan

Item	Reporting period	Same period of last year
Main business revenue	2,149,366,934.57	2,114,438,399.15
Other business revenue	76,814,496.53	82,177,082.90
Total	2,226,181,431.10	2,196,615,482.05
Cost of sales	1,593,126,834.70	1,679,182,666.68

(2) Main business (Classified by product)

Unit: RMB yuan

Product	Reporting period		Same period of last year	
	Revenue of sales	Cots of sales	Revenue of sales	Cots of sales
Fabric products	1,610,809,430.54	1,151,606,625.83	1,530,542,447.91	1,211,696,693.45
Shirts	538,557,504.03	382,682,082.60	583,895,951.24	407,329,954.01
Total	2,149,366,934.57	1,534,288,708.43	2,114,438,399.15	1,619,026,647.46

(3) Main business (Classified by area)

Unit: RMB yuan

Area	Reporting period		Same period of last year	
	Revenue of sales	Cots of sales	Revenue of sales	Cots of sales
Hong Kong	154,730,748.77	110,617,012.29	222,413,616.39	176,084,860.10
Japan and South Korea	199,291,512.71	141,960,176.81	229,769,189.46	168,776,193.08
Southeast Asia	465,940,349.00	333,094,532.71	356,826,772.78	282,499,756.01
Europe and America	447,481,616.09	318,462,117.03	530,958,776.30	385,876,820.40
Other	305,073,691.44	218,008,009.14	251,174,940.67	196,804,809.43
Domestic sales	576,849,016.56	412,146,860.45	523,295,103.55	408,984,208.44
Total	2,149,366,934.57	1,534,288,708.43	2,114,438,399.15	1,619,026,647.46

(4) Revenue of sales from the top five customers

Unit: RMB yuan

Customers	Total revenue of sales	Proportion of total revenue of sales (%)
Customer A	190,164,674.71	8.55%
Customer B	148,283,448.86	6.66%
Customer C	140,981,467.77	6.33%

Customer D	100,352,589.93	4.51%
Customer E	67,304,775.40	3.02%
Total	647,086,956.67	29.07%

Notes:

5. Investment income**(1) List of investment income**

Unit: RMB yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method		-549,000.00
Investment income received from disposal of trading financial assets	17,735,127.42	15,004,234.49
Total	17,735,127.42	14,455,234.49

(2) Long-term equity investment income accounted by cost method

Unit: RMB yuan

Name of investee	Reporting period	Same period of last year	Reason for increase/decrease
Limin Walling Material		-549,000.00	
Total		-549,000.00	--

6. Supplemental information of Cash Flow Statement

Unit: RMB yuan

Supplemental information	Reporting period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operations:	--	--
Net profit	345,109,595.06	218,643,723.43
Add: Provision for assets impairments	-504,581.85	1,827,033.97
Depreciation of fixed assets, oil and gas assets and productive biological assets	73,998,404.85	119,369,172.33
Amortization of intangible assets	3,289,523.41	3,243,350.19
Amortization of long-term deferred expense	-2,268,954.00	-199,595.78
Losses/gains on disposal of property, intangible asset and other long-term assets (gains: negative)	6,059,541.00	24,697,730.00
Losses/gains on scrapped of fixed assets (gains: negative)	4,178,029.57	13,109,670.45
Losses/gains from variation of fair value (gains: negative)	-17,735,127.42	-14,455,234.49

Financial cost (income: negative)	1,791,039.57	-2,252,040.33
Investment loss (gains: negative)	-908,931.15	-2,341,354.50
Decrease in deferred tax assets (increase: negative)	-127,557,371.97	38,361,216.37
Increase in deferred tax liabilities (decrease: negative)	-13,284,386.32	131,976,225.19
Decrease in inventory (increase: negative)	81,625,404.78	-109,565,788.89
Net cash flows generated from operating activities	353,792,185.53	422,414,107.94
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of cash	313,065,949.09	268,644,073.54
Less: opening balance of cash	559,095,505.76	443,347,389.73
The net increase in cash and cash equivalents	-246,029,556.67	-174,703,316.19

XIV. Supplemental information

1. List of current non-recurring gains and losses

Unit: RMB yuan

Item	Amount	Note
Loss and gains on disposal of non-current assets (Including write-off part of the provision for asset impairment)	2,240,764.90	
Governmental subsidy included in the current profits and losses(is closely related with the business event, except for the governmental subsidy that according to the national unity standard quota or the quantitative regal assets)	12,871,925.92	
In addition to the valid hedging activity associated with the normal operation of the Company, the changes in fair value through gains or losses which arising from the holding trading financial assets and the trading financial liabilities as well as the investment income that earning from the disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets	15,931,196.42	
Income and expenses of the other operation except for the mentioned above	2,073,308.09	
Less: the effect of income tax	6,234,507.70	
The effect of minority interest (after tax)	4,126,121.35	
Total	22,756,566.28	--

According to the company's "public offering of securities of the Company Disclosure Explanatory Notice No. 1 - non-recurring loss" definition for non-recurring items, as well as the "public offering of securities of the Company Disclosure Explanatory Notice No. 1 - non-recurring items "listed in non-recurring items defined as recurring items, should explain the reasons

Applicable Inapplicable

2. Accounting data differences according to the domestic and foreign accounting standards

(1) Different situations of the net profits and net assets in the financial disclosure reports in accordance with the international accounting standards and Chinese accounting standards at the same time

Unit: RMB yuan

	Net profits belongs to the shareholders of the listed companies		Net assets belongs to the shareholders of the listed companies	
	Current period amount	Last period amount	Closing balance	Opening balance
Accordinging China Accounting Standards	416,175,890.38	301,503,288.19	5,401,065,428.89	5,268,701,258.26
Items and amounts adjusted in accordance with international accounting standards				
The influence of the purchasing of the domestic equipment for tax recognized to deferred incomes according to International Accounting Standards	842,500.00	859,000.00	-3,960,500.00	-4,803,000.00
Accordinging to International Accounting Standards	417,018,390.38	302,362,288.19	5,397,104,928.89	5,263,898,258.26

(2) Notes of the reasons of the differences between the accounting data according to the domestic and foreign accounting standards

1. Influences of the domestic equipments which offset the income tax of enterprises

The Company enjoyed the offset of the enterprises income tax when purchasing domestic equipments, and would directly decreased the income taxes expenses according to China Accounting Standards, and at same time be recognized as the deferred income related to the assets according to International Accounting Standards. According to the rules of International Accounting Standards, the Company would amortization the differences by terms according to the fixed assets, to adjust the net profits and net assets.

3. Return on equity and earnings per share

Unit: RMB yuan

Profit in the reporting period	The weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit distributable to the Company's common stock shareholders	7.60%	0.43	0.43
Net profit distributable to shareholders of the Company's common stock after deducting non-recurring gains and losses	7.11%	0.41	0.41

4. Particulars on the abnormal conditions of main items in the financial statements of the Company and relevant reasons.

1. As of 30 Jun. 2013, closing amount of prepayments was of RMB 148,691,207.68 yuan, with an increase of 54.54% compared with opening amount, mainly because the prepayments of the materials increased at the period-end.
2. As of 30 Jun. 2013, closing amount of other current assets was of RMB 39,485,455.86 yuan, with a decrease of 41.99% compared with opening amount, mainly because the re-purchasing accounts of B shares was put into the currency assets in this period.
3. As of 30 Jun. 2013, closing amount of engineering materials was of RMB 32,730,518.84 yuan, with an increase of 171.45% compared with opening amount, mainly because the recipients special equipments increased.
4. As of 30 Jun. 2013, closing amount of other non-recurring assets was of RMB 43,401,290.00 yuan, with an increase of 450.03% compared with opening amount, mainly because the land prepayments increased.
5. As of 30 Jun. 2013, closing amount of taxes payable was of RMB 82,289,036.12 yuan, with an increase of 61.75% compared with opening amount, mainly because the urban maintenance and construction taxes increased and the income taxes increased.
6. As of 30 Jun. 2013, closing amount of non-current liabilities due in one year was of RMB 61,787,000.00 yuan, with an increase of 380.77% compared with opening amount, mainly because the long-term loans due in one year increased.
7. As of Jan.-Jun. 2013, the occurred amount of business taxes and surcharges was of RMB 31,735,647.82 yuan, with an increase of 1,244.20% compared with the last period, mainly because the urban maintenance and construction taxes and educational surcharges etc. increased.
8. As of Jan.-Jun. 2013, the occurred amount of financial expenses was of RMB 24,336,940.28 yuan, with a decrease of 33.76% compared with the last period, mainly because the interest expenses decreased in the reporting period.
9. As of Jan.-Jun. 2013, the occurred amount of losses from assets devaluation was of RMB -2,922,150.92 yuan, with a decrease of 192.59% compared with the last period, mainly because the losses from assets devaluation recognized by aging of the accounts receivable decreased compared with the last period.
10. As of Jan.-Jun. 2013, the occurred amount of profits changes of fair value was of RMB -1,718,481.00 yuan, with an increase of 94.46% compared with the last period, mainly because the disposal of expired trading financial assets which relevantly carried down the original recognized gains and losses changes of fair value and the changes of fair value of the trading financial assets.
11. As of 30 Jun. 2013, the occurred amount of non-operating costs was of RMB 883,756.29 yuan, with a decrease of 58.76% compared with the last period, mainly because the losses disposal of the fixed assets decreased compared with the last period.
12. As of Jan.-Jun. 2013, the occurred amount of income taxes expenses was of RMB 83,692,908.10 yuan, with an increase of 68.17% compared with the last period, mainly because the income taxes payable increased in the reporting period.

IX. Documents for Reference

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

II. In the reporting period, all originals of the Company's documents and public notices have been publicly disclosed in Securities Times, Shanghai Securities News and Ta Kung Pao.

Signature of the Chairman of the Board of Directors:

LUTHAI TEXTILE CO., LTD.

16 Aug. 2013

