



LU THAI TEXTILE CO., LTD.

2014 ANNUAL REPORT

March 2015

Section I. Important Reminders, Catalogue & Explanation

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

Except for the following directors, all the other directors have attended in person the board session for reviewing this report.

Name of director	Position	Reason for not attending in person	Name of proxy
Chen Ruimou	Director	For the reason of work	Tengyuan Yingli
Wang Lei	Independent Director	For the reason of work	Zhou Zhiji

The Company’s profit distribution preplan upon review and approval of this board session: Based on the total 955,758,496 shares, a cash dividend of RMB 5.00 (tax included) will be distributed for every 10 shares held by shareholders. No bonus shares will be granted and no capital reserve will be turned into share capital.

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.

Catalogue

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Explanation

Term	Refers to	Contents
Issuer, Company, the Company	Refers to	Lu Thai Textile Co., Ltd.
The Board of Directors	Refers to	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	Refers to	The Supervisory Committee of Lu Thai 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. 2014-31 Dec. 2014

Reminder of Major Risks

The Company has given a detailed description of possible risks in this report. For details, please refer to the contents about the major risks and countermeasures in the outlook of the Company's future development in "Section IV. Report of the Board of Directors". Securities Times, Shanghai Securities News, Ta Kung Pao (HK) and www.cninfo.com.cn were designated by the Company as the media for information disclosure for 2015. All information of the Company shall be subject to what is disclosed by the Company on the said media. And Investors are kindly reminded to pay attention to possible investment risks.

Section II. Company Profile

I. Company information

Stock abbreviation	LTA, LTB	Stock code	000726, 200726
Stock abbreviation after change (if any)	Naught		
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)	LU THAI TEXTILE CO., LTD		
Abbr. of the English name of the Company (if any)	LTTC		
Legal representative of the Company	Liu Shizhen		
Registered address	No. 11, Mingbo Road, High-tech Industry Development Zone, Zibo, Shandong, P.R.China		
Postal code for the registered address	255086		
Office address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China; No. 11, Mingbo Road, High-tech Industry Development Zone, Zibo, Shandong, P.R.China		
Postal code for the office address	255100; 255086		
Internet website of the Company	www.lttc.com.cn		
Email address	lttc@lttc.com.cn		

II. Contact us

	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.	0533-5266188	0533-5285166
Fax	0533-5418805; 5282188-234	0533-5418805

E-mail	qinguilin@ltd.com.cn	wyzheng@ltd.com.cn
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III. About information disclosure and where this report is placed

Newspapers designated by the Company for information disclosure	Securities Times, Shanghai Securities News, Ta Kung Pao (HK)
Internet website designated by CSRC for disclosing this report	www.cninfo.com.cn
Where this report is placed	The Securities Department of the Company

IV. Change of the registered information

	Registration date	Registration place	Business license No.	Registration code of taxation	Organizational code
Initial registration	11 Nov. 1993	Zibo Municipal Administration Bureau for Industry and Commerce	GSQHLZZ No. 00066	370302613281175	61328117-5
At the end of the reporting period	13 Nov. 2014	Zibo Municipal Administration Bureau for Industry and Commerce	370300400002843	370302613281175	61328117-5
Changes of the main business since listing (if any)	Unchanged				
Changes of the controlling shareholder (if any)	Unchanged				

V. Other information

The CPAs firm hired by the Company:

Name	Ruihua Certified Public Accountants LLP
Office address	5-11F, West Tower, China Overseas Property Plaza, Block No. 7, Compound No. 8, Xibinhe Road, Yongdingmen, Dongcheng District, Beijing, P.R.C.
Signing accountants	He Feng, Cui Xiaoli

Sponsor engaged by the Company to conduct sustained supervision during the reporting period

Applicable Inapplicable

Financial consultant engaged by the Company to conduct sustained supervision during the reporting period

Applicable Inapplicable

Section III. Accounting & Business 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

	2014	2013		Increase or decrease of this year over last year (%)	2012	
		Before adjustment	After adjustment		After adjustment	Before adjustment
Operating revenue (RMB Yuan)	6,169,688,792.53	6,478,245,029.16	6,478,245,029.16	-4.76%	5,901,049,894.02	5,901,049,894.02
Net profit attributable to shareholders of the Company (RMB Yuan)	958,725,402.84	999,256,730.65	999,256,730.65	-4.06%	707,857,544.14	707,857,544.14
Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan)	876,095,180.42	929,001,764.94	929,001,764.94	-5.69%	670,533,382.36	670,533,382.36
Net cash flows from operating activities (RMB Yuan)	1,112,095,349.02	1,453,925,021.59	1,453,925,021.59	-23.51%	1,170,463,168.56	1,170,463,168.56
Basic EPS (RMB Yuan/share)	1.00	1.04	1.04	-3.85%	0.71	0.71
Diluted EPS (RMB Yuan/share)	1.00	1.04	1.04	-3.85%	0.71	0.71
Weighted average ROE (%)	15.39%	17.90%	17.90%	-2.51%	13.57%	13.57%
	As at 31 Dec. 2014	As at 31 Dec. 2013		Increase or decrease of this year-end than last year-end (%)	As at 31 Dec. 2012	

		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB Yuan)	8,627,671,393.88	8,411,948,561.49	8,411,948,561.49	2.56%	8,153,279,084.33	8,153,279,084.33
Net assets attributable to shareholders of the Company (RMB Yuan)	6,588,772,245.55	5,988,054,133.73	5,988,054,133.73	10.03%	5,268,701,258.26	5,268,701,258.26

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

Applicable Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	2014	2013	Closing amount	Opening amount
According to Chinese accounting standards	958,725,402.84	999,256,730.65	6,588,772,245.55	5,988,054,133.73
Items and amounts adjusted according to international accounting standards				
Impact on domestic equipment tax credit recognized as deferred income under international accounting standards	1,225,000.00	1,509,000.00	-2,069,000.00	-3,294,000.00
According to international accounting standards	959,950,402.84	1,000,765,730.65	6,586,703,245.55	5,984,760,133.73

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

Applicable Inapplicable

No difference in the report period.

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

Applicable Inapplicable

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

Applicable Inapplicable

Unit: RMB Yuan

Item	2014	2013	2012	Note
Gains/losses on the disposal of non-current assets (including the offset part of the asset impairment provisions)	-3,316,012.55	432,380.47	-2,427,861.48	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	99,126,878.52	51,990,074.84	26,423,520.84	
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	-5,319,435.30	33,746,810.30	18,052,349.49	
Non-operating income and expense other than the above	21,173,199.30	1,991,154.72	6,442,815.14	
Less: Income tax effects	22,913,850.04	12,701,157.60	8,926,514.34	
Minority interests effects (after tax)	6,120,557.51	5,204,297.02	2,240,147.87	
Total	82,630,222.42	70,254,965.71	37,324,161.78	--

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

No such cases in the reporting period.

Section IV. Report of the Board of Directors

I. Overview

In 2014, the textile industry faced a complicated external situation characteristic of weak growth in market demand, great difference of cotton prices at home and abroad and rising costs of production factors. These unfavorable factors further brought up the production costs of enterprises and weakened the competitiveness in export. Meanwhile, the textile and garment processing industries in Southeast Asia rose quickly. The Company felt the double pressures from the market and costs. Under the circumstances, the Company, based on its actual situation and that of the industry, continued to deepen the excellent performance management model, vigorously promoted the Lu Thai Production System (LTPS), proactively implemented its global planning, accelerated the industrial and informatization fusion, and enhanced corporate culture improvement. As such, the Company managed to maintain a healthy and steady development trend and fully accomplished all work objectives.

For the reporting period, the Company achieved operating revenue of RMB 6.17 billion, operating profit of RMB 1.04 billion, net profit of RMB 959 million attributable to shareholders of the Company, and net profit of RMB 876 million after deducting non-recurring gains and losses, down by 4.76%, 11.11%, 4.06% and 5.69% respectively as compared with last year. During the reporting period, the main business and profit sources of the Company, as well as their composition, remained unchanged.

In the reporting period, the Company has made great improvement in scientific research innovation, management upgrading, brand construction, corporate culture establishment and so on. The Company was granted “China Industrial Award” by China Federation of Industrial Economics (CFIE); the 20th “GPEA” by APQO; “China Quality Honesty Enterprise” by China Product Quality Association (CPQA); “Top Ten Textile Culture Brands of China” by CTEI and Chinese Association for Textile Enterprises Culture Construction; and the first “Five-star Enterprise in Performing Social Accountability of China Industrial Enterprises (2014)” on “2014 Social Accountability Report Conference for Chinese Industrial Economic Enterprises” by MIIT, UNIDO, and CFIE. Besides, the “automatically digital polyester yarn dyeing technology and equipment” jointly developed by the Company, China Academy of Machinery Science & Technology and Shandong Companion Group won the first prize for national technology advance award; the “R&D and application pilot of NC warp dyeing technology and equipment” was listed into national technology support plan; the Company was evaluated as “2013 the listed company with the greatest contribution” on the first session of listed companies on Sino Finance; the Company’s labor union was ranked excellent unit in 2013 “The Cup of Safety & Health in China” by China Academy of Machinery Science & Technology; and in 2014, the Company again was accredited as a hi-tech enterprise by Department Of Science & Technology Of Shandong Province, Shandong Province Finance Bureau, State Administration Of Taxation and Local Taxation Bureau, with the validity lasting for 3 years.

Go abroad to create a global layout. Currently, as the cost for production elements in China increases day by day, it seems to be a must for top textile enterprise to go abroad, in order to give full play to the technology and brand in dyed textile and shirt processing, effectively integrate advantageous resources at home and abroad, efficiently avoid the impacts of potential trade barriers, enlarge the Company’s international production scale and maintain the Company’s leading position in global dyed textile industry. In 2014, the Company established successively Luthai (Milan) Office, Luthai (America) Co., Ltd., Luthai (Cambodia) Company and Luthai (Burma) Company. Through such establishment, the Company is able to provide more prompt and convenient after-sales service and acquire the latest market information. It greatly reduced the cost in exported shirt processing, and

gained the competition platform equivalent to other enterprises. As the world's garment processing industry transfers to southeastern Asia, the Company has decided to set up a production line with the annual capacity of 30 million meter dyed cloth in Vietnam, to effectively avoid the impacts of potential trade barriers.

Further promote Performance Excellence Management (PEM) to create LTPS. The Company further promoted PEM mode. Market-oriented, it understood the customer's demands, expectations and preferences, enhanced customer relation management, optimized new product R&D procedures, and vigorously provided products and services that satisfy customer's demands to improve customer stickiness. Also, it continuously expanded emerging market to improve management science and system; attached greater importance to employee relation management to keep the team healthy and stable; integrated the supply chain resources; and advanced quality improvement projects. After one-year promotion, many achievements have been made in shortening production cycle, reducing finished product stock and raising work efficiency.

Focus on R&D investment to implement the innovation-driven strategy. The Company continued to increase the investment in R&D, with the R&D expenses sharing 4.68% of the operating revenue. It further improved the capability for technology innovation and independent R&D, effectively increasing its market competitiveness and product's added value. In 2014, there were three technology fruits passed the verification by CTEI. More than 40 new products including flannel-like materials, color-coding materials, and dyed elastic pants materials independently developed by the Company enriched seven series featured with new raw materials, new functions and new types of hundreds of thousands of specifications. Meanwhile, the Company has established custom R&D system with some strategic customers and key customers, to jointly develop more targeted new products.

In the reporting period, the "automatically digital polyester yarn dyeing technology and equipment" jointly developed by the Company, China Academy of Machinery Science & Technology and Shandong Companion Group won the first prize for national technology advance award; the project of "Internet custom production system based on virtual dressing and great data technology" was listed into the support scope by MIIT for the year 2014; the "research and application of dyeing technology for different rolls", as well as the "research on key technology for the development of pure cotton comfortable dyed materials" won the first prize for national technology advance award by CTEI; and the "key technology and its industrialization for cotton/sorona low-carbon elastic ironing-free dyed materials" was granted the second prize for national technology advance award.

By the end of 2014, the Company's 34 projects winning national and provincial awards, including 1 for the first prize for national technology advance, 2 for the second prize and 7 for the first prize for provincial technology advance; the Company has applied for 194 patents accepted, of which, 65 are inventions (including 1 America invention patent and 2 Japan invention patents), and has been granted 137 patents; it also involved in formulating 21 standards, of which, there are 5 national standards and 16 industrial standards.

Upgrade from Luthai manufacturing to Luthai creation to improve brand influence. The Company gave full play to the leading role of Milan Office and America Company, made innovation and design more international, and promoted the upgrading of Luthai manufacturing to Luthai creation. Currently, the sales of materials independently designed shared 7.87% of the total material sales. In order to satisfy the personal demands in Internet era, the Company established Beijing Luthai Excellent Fiber Ecommerce AG. Relying on 3D modeling and Internet emerging technology, the Company offered more personalized superior custom service to customers both online and offline. At present, it has carried out pilot operation in Beijing, Shanghai, Shenzhen and Tianjin. In 2014, the Company convened several new product promotion conferences in Tokyo, New York and Milan to further maintain and improve its brand influence and reputation. In 2014, the Company was listed in China branded textile garment industry, and successively won the honors of "Top Ten Textile Culture Brands of China" and "2014 Top Hundred Enterprise of China National Garment Association (CNGA)". The pure cotton dyed

textile – “LT. GRFF” was evaluated as “the most influential brand” in cotton textile industry for the year of 2014 by China Cotton Textile Association.

Now, the Company has developed a product system that majored natural fiber materials, led by multicomponent fiber material, cored by ironing-free technology, oriented by world’s fashionable consumption and concentrated on functional health, to satisfy personalized and diversified market demands.

II. Main business analysis

1. Overview

For the reporting period, the Company achieved operating revenue of RMB 6.17 billion, down 4.76% from last year, with operating costs being RMB 4.235 billion, down 5.52% from last year; selling expenses being RMB 178 million, up 7.99% from last year; and R&D expenses being RMB 289 million, up 12.76% from last year. And the net cash flows from operating activities stood at RMB 1.112 billion, down 23.51% from last year.

Overview of the reporting period progress of development strategies and business plans disclosed in previous periods:

Inapplicable

State the reasons why the Company’s actual business performance is 20% lower or higher than the earning forecast for the reporting period which has been publicly disclosed earlier:

Applicable Inapplicable

Changes in the main operating mode

Applicable Inapplicable

2. Revenues

Explanation:

For the reporting period, the Company achieved operating revenue of RMB 6.17 billion, down 4.76% from last year

Is the Company's product sales revenue more than its service revenue?

Yes No

Industry	Item	Unit	2014	2013	YoY +/-%
Textile fabric	Sales volume	(0,000 meters)	22,459	23,120	-2.86%
	Output	(0,000 meters)	25,202	25,770	-2.20%
	Stock	(0,000 meters)	2,513	2,031	23.73%
Textile and apparel	Sales volume	(0,000 pieces)	1,758.74	1,937.24	-9.21%
	Output	(0,000 pieces)	1,751.19	1,927.05	-9.13%
	Stock	(0,000 pieces)	108.8	113.28	-3.95%
Cotton	Sales volume	(ton)	9,119.35	17,983.83	-49.29%
	Output	(ton)	23,469.35	18,881.63	24.30%

	Stock	(ton)	4,926.94	3,935.48	25.19%
Electricity	Sales volume	(000 KWH)	244,997.45	237,322.56	3.23%
	Output	(000 KWH)	362,383.79	346,082.38	4.71%
	Stock	(000 KWH)			
Steam	Sales volume	(ton)	338,604.87	321,320.5	5.38%
	Output	(ton)	1,222,788.48	1,261,449.58	-3.06%
	Stock	(ton)			

Reasons for any over-30% YoY movement of the data above:

Applicable Inapplicable

1. The sales volume of cotton stood at 9,119.35 tons in 2014, down 49.29% over last year, which was mainly because the Lu Thai subsidiary in Xinjiang sold less reserved cotton.

Major orders on hand:

Applicable Inapplicable

Significant change or adjustment of the Company's products or services during the reporting period:

Applicable Inapplicable

Major customers:

Total sales to the top 5 customers (RMB Yuan)	1,258,583,432.15
Ratio of the total sales to the top 5 customers to the annual total sales (%)	20.40%

Information about the top 5 customers:

Applicable Inapplicable

Serial No.	Name of customer	Sales (RMB Yuan)	Proportion in annual total sales (%)
1	Customer A	485,912,228.68	7.88%
2	Customer B	311,488,220.79	5.05%
3	Customer C	167,828,816.12	2.72%
4	Customer D	148,733,270.06	2.41%
5	Customer E	144,620,896.50	2.34%
Total	--	1,258,583,432.15	20.40%

Other information about the major customers

Applicable Inapplicable

3. Costs

Classified by industry:

Unit: RMB Yuan

Industry	Item	2014	2013	YoY +/- (%)
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		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Textile and apparel	Operating cost	3,746,686,521.54	88.48%	3,847,344,347.96	85.84%	2.64%
Cotton	Operating cost	160,183,463.13	3.78%	322,307,247.10	7.19%	-3.41%
Electricity and steam	Operating cost	131,997,341.43	3.12%	134,425,887.75	3.00%	0.12%
Other	Operating cost	195,717,092.68	4.62%	177,846,068.18	3.97%	0.65%

Classified by product:

Unit: RMB Yuan

Product	Item	2014		2013		YoY +/- (%)
		Amount	Proportion in operating costs (%)	Amount	Proportion in operating costs (%)	
Fabric products	Operating cost	3,011,215,500.88	71.11%	3,012,455,040.74	67.21%	3.90%
Shirts	Operating cost	735,471,020.66	17.37%	834,889,307.22	18.63%	-1.26%
Cotton	Operating cost	160,183,463.13	3.78%	322,307,247.10	7.19%	-3.41%
Electricity and steam	Operating cost	131,997,341.43	3.12%	134,425,887.75	3.00%	0.12%
Other	Operating cost	195,717,092.68	4.62%	177,846,068.18	3.97%	0.65%

Explanation

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2014	54.36%	17.44%	5.10%	12.70%	10.40%	100.00%
	2013	56.14%	16.16%	4.66%	12.68%	10.36%	100.00%
Shirts	2014	58.76%	37.33%	1.07%	0.68%	2.16%	100.00%
	2013	60.89%	34.95%	0.98%	0.68%	2.50%	100.00%

Major suppliers

Total purchases from the top 5 suppliers (RMB Yuan)	910,664,613.82
Ratio of the total purchases from the top 5 suppliers to the annual total purchases (%)	21.80%

Information about the top 5 suppliers:

√ Applicable □ Inapplicable

Serial No.	Name of supplier	Procurement amount (RMB Yuan)	Proportion in annual total procurement amount (%)
1	Supplier A	309,200,643.35	7.40%

2	Supplier B	216,824,032.76	5.19%
3	Supplier C	134,624,838.34	3.22%
4	Supplier D	131,428,907.02	3.15%
5	Supplier E	118,586,192.35	2.84%
Total	--	910,664,613.82	21.80%

Other information about the major suppliers

Applicable Inapplicable

4. Expense

For 2014, the sales expenses stood at RMB 178,283,500, up 7.99% over last year; the administrative expenses at RMB 634,545,100, up 10.61%; the financial expenses at RMB 15,462,800, down 67.25%, which was mainly because interest expenses decreased; and the income tax expenses at RMB 177,597,800, down 3.76% over last year.

5. R&D expenses

The R&D expenses stood at RMB 289,005,300 for the reporting period, accounting for 4.12% of the Company's latest audited net assets and 4.68% of the operating revenues. With leading the technology development in the industry as the goal, the research staff of the Company work hard in new product development, new technology promotion and transformation of new technological results to productivity to explore ways for transforming the business mode, adjusting the structure and extending the industrial chain. These efforts will promote the Company's development towards an energy-saving and environment-friendly enterprise and truly achieve the sustainable development.

6. Cash flows

Unit: RMB Yuan

Item	2014	2013	YoY +/- (%)
Subtotal of cash inflows from operating activities	6,463,160,275.90	6,614,967,879.28	-2.29%
Subtotal of cash outflows from operating activities	5,351,064,926.88	5,161,042,857.69	3.68%
Net cash flows from operating activities	1,112,095,349.02	1,453,925,021.59	-23.51%
Subtotal of cash inflows from investing activities	45,718,485.58	36,713,871.77	24.53%
Subtotal of cash outflows from investing activities	756,763,199.57	599,940,279.25	26.14%
Net cash flows from investing activities	-711,044,713.99	-563,226,407.48	26.24%
Subtotal of cash inflows from financing	950,315,336.83	1,297,724,911.10	-26.77%

activities			
Subtotal of cash outflows from financing activities	1,576,552,414.64	2,214,316,085.61	-28.80%
Net cash flows from financing activities	-626,237,077.81	-916,591,174.51	31.68%
Net increase in cash and cash equivalents	-220,515,707.59	-30,272,709.83	-628.43%

Reasons for any over-30% YoY movement of the data above:

Applicable Inapplicable

For the reporting period, net cash flows from financing activities stood at RMB -626,237,077.81, up 31.68% over last year, which was mainly because the cash repaid for liabilities decreased. Net increase in cash and cash equivalents stood at RMB -220,515,707.59, down 628.43% over last year, which was mainly because the net cash flows from operating and financing activities decreased.

Reasons for a big difference between the operating cash flows and the net profit:

Applicable Inapplicable

III. Breakdown of main business

Unit: RMB Yuan

	Operating revenues	Operating costs	Gross profit rate (%)	Increase/decrease of operating revenues over last year (%)	Increase/decrease of operating costs over last year (%)	Increase/decrease of gross profit rate over last year (%)
Classified by industry:						
Textile and apparel	5,491,403,490.30	3,746,686,521.54	31.77%	-2.49%	-2.62%	0.09%
Cotton	169,177,438.50	160,183,463.13	5.32%	-53.58%	-50.30%	-6.24%
Electricity and steam	193,169,049.60	131,997,341.43	31.67%	6.66%	-1.81%	5.89%
Other	61,622,595.87	47,287,438.04	23.26%	11.20%	13.04%	-1.25%
Classified by product:						
Fabric products	4,398,270,311.79	3,011,215,500.88	31.54%	0.03%	-0.04%	0.05%
Shirts	1,093,133,178.51	735,471,020.66	32.72%	-11.47%	-11.91%	0.33%
Cotton	169,177,438.50	160,183,463.13	5.32%	-53.58%	-50.30%	-6.24%
Electricity and steam	193,169,049.60	131,997,341.43	31.67%	6.66%	-1.81%	5.89%
Other	61,622,595.87	47,287,438.04	23.26%	11.20%	13.04%	-1.25%
Classified by region:						
Hong Kong	415,169,226.47	291,121,977.54	29.88%	-14.51%	-12.51%	-1.60%
Japan and	363,024,424.30	249,130,399.74	31.37%	-17.27%	-18.34%	0.90%

S.Korea						
Southeast Asia	1,486,896,361.41	1,042,470,237.35	29.89%	-5.10%	-2.91%	-1.58%
American and European countries	1,020,006,777.63	698,886,816.62	31.48%	6.95%	4.87%	1.36%
Other	803,797,996.36	562,021,540.90	30.08%	-5.53%	-3.81%	-1.25%
China Mainland	1,826,477,788.10	1,242,523,791.99	31.97%	-5.70%	-10.20%	3.41%

Where the Company's accounting standard of the main business data above changed during the reporting period, give the main business data of the latest year adjusted according to the accounting standard at the end of the reporting period:

Applicable Inapplicable

IV. Asset and liability analysis

1. Major changes of asset items

Unit: RMB Yuan

	As at 31 Dec. 2014		As at 31 Dec. 2013		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Monetary funds	666,293,798.30	7.72%	872,461,415.00	10.37%	-2.65%	
Accounts receivable	211,970,554.10	2.46%	280,434,879.62	3.33%	-0.87%	
Inventories	1,752,570,382.21	20.31%	1,645,070,671.31	19.56%	0.75%	
Fixed assets	4,930,848,056.04	57.15%	4,454,201,264.50	52.95%	4.20%	
Construction in progress	123,585,226.80	1.43%	227,959,833.59	2.71%	-1.28%	

2. Major changes of liability items

Unit: RMB Yuan

	2014		2013		Proportion change (%)	Explain any major change
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)		
Short-term borrowings	517,452,946.24	6.00%	648,664,954.85	7.71%	-1.71%	
Long-term borrowings	9,904,645.59	0.11%	97,550,400.00	1.16%	-1.05%	

3. Assets and liabilities measured at fair value√ Applicable Inapplicable

Unit: RMB Yuan

Item	Opening amount	Gain/loss on fair value change in the reporting period	Cumulative fair value change recorded into equity	Impairment provisions in the reporting period	Amount purchased in the reporting period	Amount sold in the reporting period	Closing amount
Financial assets							
2. Derivative financial assets	29,949,120.00	-29,949,120.00					0.00
Subtotal of financial assets	29,949,120.00	-29,949,120.00					
Total of the above	29,949,120.00	-29,949,120.00					0.00
Financial liabilities	0.00	3,306,200.00					3,306,200.00

Did any significant change occur to the attribute of the Company's main asset measurement during the reporting period?

Yes No

4. Main assets overseas

Applicable Inapplicable

V. Core competitiveness analysis

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

1. The Company boasts a complete industrial chain from cotton planting, yarn spinning, dyeing, weaving and post-processing to cloth manufacturing, and thus enjoys the cost advantage brought by complete steps for producing high-end dyed textile.

2. Relying on sound comprehensive management capacity, the Company has passed ISO9000 quality management system, ISO14000 environmental management system, OHSAS18000 occupational health safety management system, and SA8000 social accountability management system successively from 1995. Ever since 2007, the Company has also passed WRAP: 1999 global garment production social accountability standard, C-TPAT: 2004 anti-terrorism standard, OE100 and GOTS organic cotton system certification and CNAS national laboratory recognition, to realize the internationalization and standardization of the Company's management. In order to pursue the operational management of performance excellence and better the Company's performance and capability, the Company has gradually introduced GB/T19580-2004 *Standards for Performance Excellence*

Evaluation, created “Great Quality” system and promoted management innovation, to ensure the Company’s business quality.

3. The Company has attached great importance to R&D investment, persisted independent innovation, and relied on Research Academy of Luthai Textile Garment Engineering to continuously perfect a platform for scientific and research cooperation. It has carried out cooperation with research academies, universities, strategic customers and important suppliers to gradually transfer from product R&D to technology research, from overcoming key technology difficulties to mastering technology principles and formulating industrial standards, and from focusing technology innovation to integration of new technology and creative mode, enhanced low-carbon, green and recycled development, empowered the corporate growth and increased the contribution of technology advance to industrial development.

4. Centered by customers, the Company has comprehensively enhanced quality management, stuck to high-standard services, and successfully established a brand image that leads the industry, satisfies customers and wins market. It has actively utilized new technologies to transform traditional industries, promoted technology and product innovation, and vigorously integrated brand construction, textile technology and garment culture, for the purpose of improving corporate brand image. Besides, the Company has paid close attention to the product diversification and reasonable adjustment to market structure, stressed both domestic and international markets, integrated global market resources, explored international layout, and craving out a new road in terms of manufacturing mode, production organization manner and marketing mode, to give full play to the Company’s comprehensive management advantages in the industry.

VI. Investment analysis

1. Wealth management entrustment, derivative investments and entrustment loans

(1) Derivative investments

√ Applicable □ Inapplicable

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-related	No	Forward exchange settlement	247,105.73	28 Mar. 2013	28 Dec. 2015	98,449.79		21,213.88	3.02%	2,855.54
Commercial bank	Non-related	No	Foreign exchange trading	26,231.87	4 Jan. 2014	22 Dec. 2014	0		0		-104.5
Commercial bank	Non-related	No	Option	36,818	31 Jul.	30 Dec. 2015	0		31,835	4.54%	42.55

ial bank	d	portfolio	2014							
Total			310,155.6	--	--	98,449.79		53,048.88	7.56%	2,793.59
Capital source for derivative investment			Self-owned funds							
Cases involving lawsuit (if applicable)			No							
Disclosure date of the board announcement approving the derivative investment (if any)			27 Mar. 2014							
			16 May 2013							
Disclosure date of the general meeting announcement approving the derivative investment (if any)										
Analysis on risks and control measures of derivative products held in the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)			<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 Lu Thai Textile Co., Ltd., the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions in 2013 approved at the 28th Session of the 6th Board of Directors on 15 May 2013 and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions in 2014 approved at the 7th Session of the 7th Board of Directors on 25 Mar. 2014, and performed relevant information disclosure responsibilities. The Company decided the up limit for the</p>							

	<p>amount of derivative products transaction according to the production and operation scale and the progress of foreign exchange income for the Company, and delivered by phases. It was also possible to use extension of term and other ways to ensure the fulfillment of contract as schedules upon the mature of contract, and wouldn't cause any loss of credit risk for the Company due to insufficient liquidity or other reasons.</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 inter-bank spot RMB-dollar trading band from 1% to 2% since 17 Mar. 2014, 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>
<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>	<p>1. Up to 31 Dec. 2014, the Company held 16 undue financial derivative product contracts, totaling US\$ 88 million, including 8 forward settlement contracts worth US\$ 34 million and 8 foreign exchange option contracts worth US\$ 54 million (the latest expiration before Dec. 2015). The financial derivative products above accounted for 7.56% of the closing net assets.</p> <p>2. From Jan. 2014 to Dec. 2014, the due financial derivative products of the Company totally equaled to US\$ 414.4746 million, all delivered on time, and the gain generated was RMB 27.9359 million. To be specific, the due forward settlement was US\$ 363.6 million, generating gain of RMB 28.5554 million; the due forward foreign exchange trading amount equaled to US\$ 42.8746 million, which caused a loss of RMB 1.045 million; and the due foreign exchange options equaled to US\$ 8 million, which generated a gain of RMB 425,500.</p>
<p>Whether significant changes occurred</p>	<p>Unchanged</p>

to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period	
Specific opinion from independent directors on the Company's derivatives investment and risk control	The Company's independent directors Zhou Zhiji, Zhang Chengzhu, Wang Lei, Xu Jianjun and Zhao Yao, concerning conducting 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.

2. Use of raised funds

Applicable Inapplicable

(1) Overview of the use of raised funds

Applicable Inapplicable

Unit: RMB Ten thousand Yuan

Total raised capital	95,081.45
Total raised capital input in the reporting period	773.3
Accumulative raised capital input	95,585.18
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 433,955,800, 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 Project has been fully put into operation in Apr. 2014.

In the reporting period, the raised funds investment to The Marketing Network Development Project increase RMB 7.733 million, total raised funds investment is RMB 65,037,300 (of which RMB 5,037,300 is the net interest income on the raised funds after bank charges). The investment in the reporting period was mainly used for decoration, rents and advertising expenses of exclusive outlets as well as expansion and maintenance expenses on “Lu Thai Online”, the internet marketing platform.

Up to the end of the reporting period, the previously raised funds had been used up.

(2) Projects promised to be invested with raised funds

Applicable Inapplicable

Unit: RMB Ten thousand Yuan

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 period	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	773.3	6,503.73	100.00%	30 Jun. 2014	0	Yes	No
Subtotal of promised investment projects	--	6,000	6,000	773.3	6,503.73	--	--	0	--	--
Investments of over-raised capital										
Total	--	6,000	6,000	773.3	6,503.73	--	--	0	--	--
Reason for failing to reach scheduled progress or projected income (explain one project by one project)	Naught									
Explanation on significant changes in feasibility of projects	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	Inapplicable									
Change of the implementation	Inapplicable									

location of any raised funds investment project	
Adjustment of the implementation method of any raised funds investment project	Inapplicable
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	Inapplicable
Usage and whereabouts of unused raise capital	Up to 30 Jun. 2014, the raised funds and interest had been used up.
Problems found in the usage and disclosure affairs of raised capital and other	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.

situations	
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(3) Change of projects invested with raised funds

√ Applicable □ Inapplicable

Unit: RMB Ten thousand

Project after change	Project before change	Total raised funds planned to be input for the project after change (1)	Actual input for reporting period	Actual cumulative input by 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 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	100.00%	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 was fully put into operation in Apr. 2014.								
Explanation on significant changes in feasibility of projects after change	No								

3. Analysis to main subsidiaries and stock-participating companies

√ Applicable □ Inapplicable

Main subsidiaries and stock-participating companies:

Unit: RMB Yuan

Company name	Company variety	Industry	Main products/services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Xinjiang Lu Thai Harvest Cotton Co., Ltd.	Subsidiary	Manufacture	Lint, cotton yarn	223,980,864.50	902,000,348.93	410,171,816.68	676,265,353.51	38,831,109.42	46,264,010.23
Zibo Luqun Textile Co., Ltd.	Subsidiary	Manufacture	Spinning, twisting	168,220,000	426,657,884.38	352,972,148.48	328,126,784.89	12,210,995.74	8,403,789.43
Zibo Xinsheng Thermal Power Co., Ltd.	Subsidiary	Manufacture	Electricity, steam	162,435,600.00	497,353,213.40	433,528,272.35	418,902,388.11	144,200,905.95	129,177,345.87
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Manufacture	Fabric	706,160,000	1,379,609,680.05	1,105,288,703.42	1,377,696,781.89	51,293,981.71	46,206,513.06

Explain particulars about main subsidiaries and stock-participating companies:

Subsidiary Zibo Xinsheng Thermal Power Co., Ltd. achieved net profit of RMB 129 million for 2014, up 46.17% from the year earlier, mainly because coal prices in 2014 dropped 15% from 2013.

Subsidiaries acquired or disposed during the reporting period:

□ Applicable √ Inapplicable

4. Significant projects invested with non-raised funds

√ Applicable □ Inapplicable

Unit: RMB Ten Thousand Yuan

Project name	Total planned investment	Input for this period	Cumulative actual input as at the period-end	Project progress	Project earnings	Disclosure date (in any)	Disclosure index (in any)
A new 230,000-spindle production line project	92,866	24,995.06	29,719.54	32.00%		23 Mar. 2012	The "Announcement on Launching a New 230,000-spindle Production Line Project and a New 35,000-ingot Two-for-one

and a new 35,000-ingot two-for-one twisting production line project							Twisting Production Line Project" (announcement No. 2012-008) disclosed by the Company on http://www.cninfo.com.cn
Total	92,866	24,995.06	29,719.54	--	--	--	--

VII. Predict the operating results of Jan.-Mar. 2015

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

VIII. Outlook of the Company's future development

1. Competition and development trends in the sector

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

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

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

2. Development strategies of the Company

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

protection, to offer more green and low-carbon products to the market.

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

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

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

(3) As for the enterprise management: The Company will refine management responsibility, deepen promoting excellent performance management mode in all-round, carry forward LTPS, further deepen and refine comprehensive budget management, and keep pushing forward management upgrading.

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

4. Fund demand, source and using plan

During the reporting period, the Company set up the Luthai Cambodia Company and Burma Company, and recently Phase I of the Cambodia Company had been put into production as well as the Phase II engineer was executed as planned. The Cambodia Company and the Vietnam Company were also under construction as planned. The capital resources of the whole projects were the self-owned and self-raised funds of the Company.

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

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

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

(3) The Company mainly uses long-staple cotton as its raw materials, whose price may be affected by market supply-demand, climate, policy, exchange rate and quota. In 2015, when the government greatly reduces cotton import quota, the cotton cost will be mainly affected by domestic market. Therefore, except ensuring stable supply of long-staple cotton from Xinjiang subsidiary, the Company must carefully study on market developments, and make every effort to reduce the influences of raw material price fluctuation on its business performance, through actively effective manners and methods.

(4) Change of exchange rate: at present and in the future for a long time, products of the Company are mainly exported to the international market, and sales income mainly settled with USD; meanwhile, major equipments used in the Company was imported, part foreign exchange paid for import was not USD. Our country executed directional system on fluctuated exchange rate, so the exchange rate fluctuated with changes of domestic and foreign policy and environment. When exchange rates experienced a great fluctuation, it might cause a negative influence on the Company. In order to reduce adverse influence of exchange rate fluctuation, the Company adopted the following measures: firstly, the Company proactively conducted foreign exchange hedging, forward FX sales and purchase, reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Secondly, the Company actively adjusted the Renminbi and foreign-currency liabilities structure to control financial costs. Thirdly, according to the fluctuation trend of exchange rates, the Company properly

adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company. Fourthly, the Company tried to settle with its customers in Renminbi whenever was possible.

IX. Explanation by the Board of Directors and the Supervisory Committee about the “non-standard audit report” issued by the CPAs firm for the reporting period

Applicable Inapplicable

X. Explain any change of the accounting policies, the accounting estimates and the accounting methods when compared to the financial report for last year

Applicable Inapplicable

Alteration of the accounting policies led by executing the new ASBE

At the year-begin of 2014, the Ministry of Finance issued No. 39 of ASBE—Fair Value Measurement, No. 30 of ASBE—Presentation of Financial Statements (revised in 2014), No. 9 of ASBE—Employee Compensation (revised in 2014), No. 33 of ASBE—Consolidation Financial Statement (revised in 2014), No. 40 of ASBE—Joint Venture Arrangement, No. 2 of ASBE—Long-term Investment (revised in 2014) and No. 41 of ASBE—Equity Disclosure of Other Entities which respectively by C-H [2014] No.6, No. 7, No. 8, No. 10, No. 11, No. 14 and No. 16 which be required to execute among the enterprises that applied the ASBE since 1 Jul. 2014 as well as encouraged the enterprises listed overseas to execute in advance. At the same time, the Ministry of Finance issued No. 37 of ASBE—Presentation of Financial Instruments (revised in 2014) as C-H [2014] No. 23 (hereinafter referred to Presentation Guidelines of Financial Instruments for short), which be required to present the financial instruments according to the requirements of the guidelines in Y2014 and the following period among the financial statement.

Through review and approval of the 19th Session of the 7th Board of Directors of the Company on 28 Mar. 2015, the Company began to execute the above 7 new issued or revised enterprises principles except for the presentation guidelines of financial instruments since 1 Jul. 2014 and began to execute the presentation guidelines of financial instruments when compiling the 2014 financial report and adjusted according to the relative requirements of each guidelines, while the influences on the financial statement items during the current period and the earlier stage of the presentation as well as the amount were as follows:

Name of criterions	Notes of the content and the influences	The affected amount of the relevant financial statement items on 1 Jan. 2014/of Y2013	
		Name of items	Affected amount Increase+/-Decrease
No. 2 of ASBE—Long-term Equity Investment	The Group had no joint control or significant influences on the investees before executing the No. 2 of ASBE—Long-term Equity Investment (revised in 2014), and the equity investment which had no quotation in the active market as well as its fair value could be not reliable measured should be measured as long-term equity investment by cost method. After executed the No. 2 of ASBE—Long-term Equity Investment (revised in 2014), the Group measured the equity investment which didn't have joint control or significant influences on the investees and	Long-term equity investment	-67,442,600.00
		Available-for-sale financial assets	67,442,600.00

	had no quotation in the active market as well as its fair value could not be reliable measured as available-for-sale financial assets. The Group executed the accounting treatment of the above changes of accounting policies by retrospective application.		
No. 9 of ASBE—Payroll Payment	Before executed the No. 9 of ASBE—Payroll Payment(revised in 2014), the Company included all the bonus distributed to the employees into the payroll payable and after executed the No. 9 of ASBE—Payroll Payment(revised in 2014), the Company included the bonus distributed to the employees according to the short-term bonus plan into payroll payment-short-term payroll as well as included the bonus according to the long-term bonus plan into the long-term payroll payable-other long-term employee benefits.	Payroll payable	-23,883,400.00
		Long-term payroll payable	23,883,400.00
No. 30 of ASBE—Presentation of Financial Statement	No. 30 of ASBE—Presentation of Financial Statement (revised in 2014) had divided the other comprehensive income into two categories: (1) other comprehensive income items which could not be re-classified into gains and losses in afterwards accounting period; (2) other comprehensive income items which could not be re-classified into gains and losses when satisfying the specific conditions in afterwards accounting period and at the same time specify the presentation of the held-to-sold items etc. The Financial Statement had presented according to the criterion and executed corresponding adjustment compared to the presentation of the Annual Financial Statement.		
No. 39 of ASBE—Fair Value Measurement	No. 39 of ASBE—Fair Value Measurement standardized the measurement and disclosure of the fair value. To adopt No. 39 of ASBE—Fair Value Measurement not caused significant influence on the measure of the financial statement items, but had led the enterprises made wider disclosure of the fair value information of the notes of the financial statement. The financial statement had been disclosed according to regulations of the ASBE.		
No. 41 of ASBE—Equity Disclosure of Other Entities	No. 41 of ASBE—Equity Disclosure of Other Entities is adapted to the disclosure of the equity for the enterprises among the subsidiaries, joint venture arrangement, joint operation and structured entities which not included in the consolidation financial statement. To adopt No. 41 of ASBE—Equity Disclosure of Other Entities will lead the enterprises made wider disclosure of the fair value		

	information of the notes of the financial statement. The financial statement had presented according to the ASBE and had made corresponding adjustment on the disclosure of the notes of the comparable annual financial statement.		
No. 33 of ASBE-Consolidation of Financial Statement (revised in 2014)	No. 33 of ASBE-Consolidation of Financial Statement (revised in 2014) similarly stipulated that “the consolidation scope of the Consolidation Financial Statement should be recognized based on the control”, but had revised the definition “control” as “refers to the power of the investors on the investees, which could enjoy the variable returns through participate in the relevant activities of the investees and has the ability to use the power on the investees to influence its return amount”. The criterion after revised required the investees to adjust the investees based on whether the investors control the investees on deliberating all the relevant facts and situations and provided more specific guidance on the judgment problems of the control right. The changes of the former would not cause influences on the financial statement of the Company.		
No. 37 of ASBE—Presentation of Financial Instruments	No. 37 of ASBE—Presentation of Financial Instruments (revised in 2014) increased the regulation about off-set and the disclosure requirements as well as the disclosure requirements of the transfer of the financial assets, and verified the disclosure requirements of the overdue period analysis of the financial assets and liabilities. The changes of the former would not cause influences on the financial statement of the Company.		

XI. Explain if any major correction of accounting errors occurred in the reporting period and for that retroactive restatement was needed

Applicable Inapplicable

There was no any major correction of accounting errors occurred in the reporting period and for that retroactive restatement was needed.

XII. Explanation of the changes of the consolidated statement scale compared to the last financial report

Applicable Inapplicable

The Company newly set up the wholly owned subsidiary Luthai (Cambodia) Company, Luthai (Burma) and Luthai (USA) Company as well as the controlling subsidiary Beijing Luthai Youxian Co., Ltd. and included all of them into the consolidation scope.

XIII. Profit allocation and dividend payout

Formulation, execution or adjustment of the Company's profit allocation policy, especially the cash dividend policy, during the reporting period:

Applicable Inapplicable

The Company's preplans or plans for profit allocation and turning capital reserve into share capital for the recent three years (including the reporting year):

1. The 2014 annual profit allocation pre-plan reviewed and approved at the 19th Session of the 7th Board of Directors:

By December 31 of 2014, the Company's registered capital is based on 955,758,496 shares, with a cash dividend of RMB 5.00 distributed to every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under *Enterprise Income Tax Law of the People's Republic of China*).

Based on the above distribution plan, the Company actually has been distributed RMB 477,879,248.00 dividends. Such plan may only be implemented after the review and approval on 2014 shareholder's meeting.

2. 2013 profit distribution plan has been approved on the 7th session of the seventh board meeting: By December 31 of 2013, the Company's registered capital is based on 95,580,0496 ten thousand shares, with RMB 3.8 contributed to every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under *CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies* jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under *Enterprise Income Tax Law of the People's Republic of China*). Based on the above distribution plan, the Company actually has been distributed of RMB 363,204,188.48 dividends. Such plan was implemented in May of 2014 after the review and approval on 2013 shareholder's meeting convened on April 29 of 2014.

3. The profit allocation pre-plan for 2012 was reviewed and approved at the 26th Session of the 5th Board of Directors. The total registered capital of the Company as at 31 Dec. 2012 was 1,008,894,800 shares, including the bought-back inventory 48,837,304 B-shares that had not been written off, so the total shares eligible for the profit allocation were 960,057,496 shares. Based on total share capital of 960,057,496 shares, the cash dividend of RMB 2.80 (tax included) was distributed for every 10 shares. The individual income tax on A-share holders was executed according to the "Notice of the Ministry of Finance, the State Administration of Taxation and the China Securities Regulatory Commission on Relevant Issues concerning Applying Differentiated Policies of Individual Income Tax to the Dividends of Listed Companies" (CS [2012] No. 85). The cash dividend to shareholders of B share was converted into HK dollars by the middle price between RMB and HKD on the inter-bank foreign exchange market declared by the People's Bank of China on the first working day after adopting resolution of the Shareholders' General Meeting (Dividends to foreign individual shareholders were free of tax pursuant to the Document CSZ (1994) No.020, and as for non-resident enterprise shareholders, enterprise income tax was collected by 10% on the dividends distributed to them pursuant to the Enterprise Income Tax Law of PRC and other stipulations.) In total, RMB 268,816,098.88 was actually distributed as dividends. The aforesaid profit distribution plan was implemented in Jun. 2013 after being reviewed and approved by the Shareholders' General Meeting 2012 held on 22 Apr. 2013.

Cash dividend distribution of the Company over the recent three years:

Unit: RMB Yuan

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	The amount offered and re-purchased the shares by cash that included in the cash bonus	The proportion offered and re-purchased the shares by cash that included in the cash bonus
2014	477,879,248.00	958,725,402.84	49.85%	0.00	0.00%
2013	363,204,188.48	999,256,730.65	36.35%	0.00	0.00%
2012	268,816,098.88	707,857,544.14	37.98%	0.00	0.00%

The Company (including its subsidiaries) made profit in the reporting period and the retained profit of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution:

Applicable Inapplicable

XIV. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period

Applicable Inapplicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB Yuan) (tax included)	5.00
Increased shares for every 10 shares (share)	0
Total shares as the basis for the allocation preplan (share)	955,758,496
Total cash dividends (RMB Yuan) (tax included)	477,879,248.00
Distributable profit (RMB Yuan)	958,725,402.84
Percentage of the cash dividends in the total distributed profit (%)	100.00%
Cash dividend policy:	
Details about the profit allocation or turning capital reserve into share capital	
<p>2014 profit distribution plan has been approved on the 19th session of the seventh board meeting: By December 31 of 2014, the Company's registered capital is based on 955,758,496 shares, with a cash dividend of RMB 5.00 distributed to every 10 shares (including tax). The individual income tax for Share A shall be subject to related regulations under CS [2012] No. 85 Notice on Certain Question about the Implementation of Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for Share B shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China). Based on the above distribution plan, the Company actually has been distributed of RMB 477,879,248.00</p>	

dividends. Such plan was implemented after the review and approval on 2014 shareholder's meeting.

XV. Social responsibilities

Applicable Inapplicable

The Company has prepared the Report on Social Responsibilities for 2014. For details, please refer to the "Report on Social Responsibilities" disclosed at the same time with the 2014 Annual Report.

Does the listed company or any of its subsidiaries belong to the heavily polluting industries stipulated by the environmental protection authorities of the country?

Yes No Inapplicable

Does the listed company or any of its subsidiaries have any other significant social security problems?

Yes No Inapplicable

Any administrative punishment during the reporting period?

Yes No Inapplicable

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

Applicable Inapplicable

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
27 Mar. 2014		By telephone	Institution	Shenyin & Wanguo Wang Liping Wu Yuanyi	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Anbang Asset Chen Xiaoyan	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Baoying Fund Wang Qiong	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Changxin Asset Liu Liang	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Orient Securities Wang Hui	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Soochow Fund Shao Meiling	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Everbright Pramerica Zhu Yufeng	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Everbright Securities Liu Bing	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	National Trust Shi Meiling	Basic situation of the Company

27 Mar. 2014		By telephone	Institution	Guotai Fund Lu Jing	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Hua An Fund Yang Xingxing	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Harfor Fund Zhang Xuewei	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Huaxin Fund Xu Da	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	HSBCJT Qiu Dongrong	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	HSBCJT Mang Chun	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	China Universal Asset Zheng Huilian	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Invesco Great Wall Fund Li Ran	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Morgan Fund Zhan Jiao	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	BNY Fund Li Hui	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Penghua Fund Li Huijie	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	CIFM Li Jiajia	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	AHZG Qiao Qian	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Industrial Securities Shu Lihua	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Yinhua Fund Wang Xiang	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Yinhua Fund Chen Fan	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Yuenchen Investment Liu Ming	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	China Life Pension Gao Yuanyuan	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Citic China Securities Huang Yangxia	Basic situation of the Company

27 Mar. 2014		By telephone	Institution	CITICS Luo Xiang	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Galaxy Securities Co., Ltd. Ma Li Yang Lan Hua Xiaowei	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	IVY Asset Management Co., Ltd. Sun Yuanjia	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Taikang AMC Jin Ge	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Shanghai Milestone Management Co., Ltd. Weng Di	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Changsheng Fund Liu Yuxiu	Basic situation of the Company
27 Mar. 2014		By telephone	Institution	Shanghai Strength Asset Ding Wenya	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Tokio Marine Asset Management Xu Cheng	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	China Post Fund Zhang Jing	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	CICC Cao Yan	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	BOC Securities Bai Bingyang	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Everbright Fund Zhu Yufeng	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Qianhe Capital Lu Hui	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Hua An Fund Chen Yuan	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Mirae Asset Cai Wen	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Fudun Asset Li Xiaoli	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Happy Dragon Fund Huang Zhiqing	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Tebon Fund Chen Li	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	China Merchants Fund Liu Shuxiang	Basic situation of the Company

25 Apr. 2014		By telephone	Institution	Singapore Lion Fund Management Co., Ltd. Wu Baoling	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	HSBS Fund Jin Qiu Dongrong	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Banque Rothschild Lu Lina	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Haitong Securities Liu Yong	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Caida Investment Li Xiang	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Milestone Asset Meng Cheng	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Changxin Asset Liu Liang	Basic situation of the Company
25 Apr. 2014		By telephone	Institution	Sunshine Asset Management Zhang Xuepeng	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Everbright Securities Co., Ltd. Li Jie Tang Shuangshuang	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Morgan Huaxin Funds Liu Hong	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Industrial Securities Huang Wei	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Ruigu Lu Jie	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Shanghai Honest Asset Dong Tao	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Centrum Capital Hu Binghan	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	CCB International Zhan Jia	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Milestone Asset Weng Di	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Springs Capital HK Liu Xiaoyu	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Taikang AMC Jin Ge	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Shenzhen Qingshuiyuan Dai Qiubin	Basic situation of the Company

13 Aug. 2014		By telephone	Institution	Congrong Investment Cheng Chunyan	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	UBS SDIC Li Yanrong	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	China Post Fund Liu Xiaohan	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	ChinaAMC Wang Zhipeng	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Yong An Insurance Wang Shuting	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	China Universal Asset Xu Lijun	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Daofu Fund Zhang Zhidong	Basic situation of the Company
13 Aug. 2014		By telephone	Institution	Shanghai Xiangming Investment Co., Ltd. Li Dan	Basic situation of the Company
3 Sep. 2014	The office	Field research	Institution	Changjiang Securities Company Limited Lei Yu	Basic situation of the Company
3 Sep. 2014	The office	Field research	Institution	Northeast Securities Co., Ltd. Zhou Yubin	Basic situation of the Company
Reception times					4
Number of reception institutions					76
Number of reception person					0
Number of receipting other targets					0
Whether disclose, reveal or let out unpublished significant information			No		

Section V. Significant Events

I. Implementation and influence of equity incentive

√ Applicable □ Inapplicable

1. Summary of equity incentive plan

On 8 April 2011, the 10th session of the 6th board of directors reviewed and approved “2011 Plan on Restricted Stock Incentive of Lu Thai 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 Lu Thai 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 Lu Thai 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 Lu Thai Textile Co., Ltd.”. 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 Lu Thai 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 Mar. 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” on 26th Session of the 6th Board of Directors. 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 Jun. 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.

On 11 Jun. 2014, the 11th Session of the 7th Board of Directors of the Company reviewed and approved the “Proposal on Restricted Stock Granted to Previous Incentive Objects Who Fall through Incentive Requirements”. The original incentive targets Gao Hong failed in the 2013 performance assessment, of whom the third unlocking restricted shares of 18,000 shares should not be locked and would be repurchased and written off by the Company; The original incentive targets Yang Jun, Wang Fuye, Yang Zezhi, Zhai Shenbo and Yang Jian had left their position during Aug. 2013 to May 2014, which had not met with the incentive plan of “No. 20 Unlocking Arrangement and Inspection Conditions of Restricted Stocks”. Those 5 people had been granted the whole unlocking stocks which was amounted to 24,000 shares and had be repurchased and written off by the Company. The above 42,000 shares had been written off in Shenzhen Branch of CSDC on 26 Aug. 2014. On 11 Jun. 2014, the 11th Session of the 7th Board of Directors of the Company reviewed and approved the “Proposal on Unlocking Restricted Stock 2011 Incentive Plan during the Third Unlocking Period of Luthai Textile Co., Ltd.”, therefore, there were 332 people met with the conditions of the third period of the incentive plan, with the unlocking stocks of the restricted stocks of the third period adjusted to 4.1190 million shares. And the date of the listing of the unlocking shares: 10 Sep. 2014. Thus the 2011 Incentive Plan of the Restricted Shares of Luthai Textile Co., Ltd. had completed execution.

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 Lu Thai 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 Jun. 2013.

According to implementation and assessment methods of restricted stock incentive plan of Lu Thai Textile Co., Ltd., the Enterprise Management Department and Human Resources Department conducted appraisal of 2013 annual performance of the 333 incentive objects except for the original incentive objects that left the office during Aug. 2013 and May 2014, with the appraisal result was that: they were all qualified and met the conditions of unlocking except Gao Hong.

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. On 11 Jun. 2014, the 11th Session of the 7th Board of Directors reviewed and approved “Proposal on Unlocking Restricted Stock Incentive Plan during the Third Unlocking Period” and there were 332 met the conditions of unlocking of the third incentive plan, with the locking

restricted shares of the third period adjusted to 4.1190 million and the listing date of the unlocking shares of the third period was: 10 Sep. 2014.

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 6.0419 million and the influenced total profit of the Company of 2014 reached RMB 6.0419 million. The incentive plan of the restricted shares had completed execution during the reporting period.

II. Significant related transactions

1. Related-party transactions arising from acquisition and sale of assets

√ Applicable □ Inapplicable

Related transaction party	Relation	Type of the transaction	Contents of the transaction	Pricing principle	Book value of the transferred asset (RMB Ten thousand)	Assessed value of the transferred asset (RMB Ten thousand)	Market fair value (RMB Ten thousand)	Transfer price (RMB Ten thousand)	Mode of settlement	Gain/loss (RMB Ten thousand)	Disclosure date	Disclosure index
Zibo Luqun Zhiye Co., Ltd.	Wholly-owned subsidiary of the controlling shareholder	Purchase of assets	Commercial housing, shops	Market price			3141.61	3141.61	Cash payment		16 May 2014	See the details on the relevant announcements disclosed on Securities Times, Shanghai Securities News and www.cninfo.com.cn on 16 May 2014.
Reasons of the larger difference between the transfer price and the book value or the assessment price (if any)				N/A								
Influences on the operation results and the financial conditions of the Company				The commercial housing purchased by the transactions was according to the market price with the fair and reasonable pricing that did not harm the interests of the Company and the medium and small shareholders as well as not influenced the financial conditions and operating performance of the Company.								

III. Significant contracts and the fulfillment of contracts

1. Particulars about guarantee

√ Applicable □ Inapplicable

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.	13 May 2011	30,000	10 May 2011	457.1	Guarantee of joint and several liability	From the date of implementing loan within credit line to the date of clearing off loan principal and interest	No	Yes
Luthai (Hong Kong) Co., Ltd.	27 Mar. 2014	18,300	25 Mar. 2014	708.49	Guarantee of joint and several liability	Two years since the approval of the board of the Company	No	Yes
Lufeng Weaving & Dyeing Co., Ltd.	10 Dec. 2014	25,000	9 Dec. 2014	0	Guarantee of joint and several liability	Three year since the approval of the board of the Company	No	Yes
Total amount of approved guarantee for subsidiaries during the reporting period (B1)		43,300		Total amount of actual guarantee for subsidiaries during the reporting period (B2)		708.49		
Total amount of approved guarantee for subsidiaries at the end of the reporting period		73,300		Total amount of actual guarantee for subsidiaries at the end of the reporting		457.1		

(B3)		period (B4)	
Total amount of guarantee (sum total of the first two items)			
Total amount of approved guarantee during the reporting period (A1+B1)	43,300	Total amount of actual guarantee during the reporting period (A2+B2)	708.49
Total amount of approved guarantee at the end of the reporting period (A3+B3)	73,300	Total amount of actual guarantee at the end of the reporting period (A4+B4)	457.1
Proportion of total amount of actual guarantee (A4+B4) in net assets of the Company		0.07%	
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 Lu Thai Company and Lu Feng Company, Lu Feng Company, the warrantee Lu Feng Company provided the corresponding amount of counter guarantee for Lu Thai Company. According to "Agreement on Counter Guarantee" signed on 9 Dec. 2014 between Lu Thai Company and Xinjiang Lu Thai Company, Xinjiang Lu Thai Company, the warrantee Xinjiang Lu Thai Company provided the corresponding amount of counter guarantee for Lu Thai Company.	
Explanation about external guarantee violating established procedure		The Company never provided guarantees for companies except controlling subsidiaries.	

Explanations about guarantees provided with complex methods

IV. Fulfillment of commitments

1. 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

√ Applicable □ Inapplicable

Commitment	Party making the	Content of commitment	Date of making commitme	Term for acceptance	Fulfillment of commitment
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	commitment		nt		
Commitments made in a share reform	N/A	N/A		N/A	N/A
Commitments made in acquisition reports or report on changes in equity	N/A	N/A		N/A	N/A
Commitments made at the time of assets reorganization	N/A	N/A		N/A	N/A
Commitments at the time of initial public issuance or re-financing	Lu Thai Textile Co., Ltd.	In Dec. 2008, the Company increase 150 million of A shares with financing net amount of 950.8145 million and the invested projects by the raised funds was respectively as follows: 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 high-end female garments and supplement circulating fund etc. Of the among projects: 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 high-end female garments and supplement circulating fund etc.	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, and up to the end of Jun. 2014, the project and the "brand and marketing internet construction" were both completed the execution.
Other commitments made for medium and small shareholders of the Company	N/A	N/A		N/A	N/A
Whether commitments were fulfilled in time	Yes				
Specific reasons of unfinished fulfillment and further plan	N/A				

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

Certified Public Accountants in employment

Name of domestic accounting firm	Ruihua Certified Public Accountants (LLP)
Payment for domestic accounting firm(RMB Ten Thousand Yuan)	158.5
Number of successive years of audit service provided by domestic accounting firm	2
Name of certified public accounts in domestic accounting firm	He Feng, Cui Xiaoli
Name of foreign accounting firm (if any)	N/A

Reengage the CPAs firm at current period or not?

Yes No

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

Applicable Inapplicable

On 25 Mar. 2014 the Company held the 7th Session of the 7th Board of Directors, which reviewed and approved the Proposal on Engaging the 2014 Financial Report Audit Institution and Internal Control Audit Institution of the Company. The Company totally paid the internal control audit reward of RMB 0.4350 million.

Section VI. Change in Shares & Shareholders

I. Change in shares

1. Change in shares

Unit: Share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion (%)	Issuance of new share	Bonus shares	Shares capital reserve is transferred into	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	123,209,603	12.89%				-3,655,690	-3,655,690	119,553,913	12.51%
3. Shares held by other domestic corporations	4,977,203	0.52%				-3,655,690	-3,655,690	1,321,513	0.14%
Shares held by domestic natural persons	4,977,203	0.52%				-3,655,690	-3,655,690	1,321,513	0.14%
4. Shares held by foreign investors	118,232,400	12.37%						118,232,400	12.37%
Among which: Shares held by foreign corporations	118,232,400	12.37%						118,232,400	12.37%
Shares held by foreign natural persons		0.00%							
II. Non-restricted shares	832,590,893	87.11%				3,613,690	3,613,690	836,204,583	87.49%
1. Renminbi ordinary shares	556,982,697	58.27%				3,661,090	3,661,090	560,643,787	58.66%
2. Domestically listed foreign shares	275,608,196	28.84%				-47,400	-47,400	275,560,796	28.83%
III. Total shares	955,800,496	100.00%				-42,000	-42,000	955,758,496	100.00%

Reasons of changes in shares

√ Applicable □ Inapplicable

Because the equity incentive target Gao Hong failed in the 2013 annual examine and the other 5 equity incentive target had left during the assessment period, the above persons had been written off the locking restricted shares of 42,000 shares that led the total

shares capital reduced 42,000 shares. Besides, owing to the due unlocking of the third period of the equity incentive restricted shares and the changes of the Senior Executives and the Supervisors, there was adjustment between the restricted shares and the unlimited shares.

Approval situation of the changes in shares

Applicable Inapplicable

On 11 Jun. 2014, the 11th Session of the 7th Board of Directors of the Company reviewed and approved the “Proposal on Restricted Stock Granted to Previous Incentive Objects Who Fall through Incentive Requirements” and “Proposal on the Third Unlocking Period of 2011 Plan on Restricted Stock Incentive of Lu Thai Textile Co., Ltd.”. The original incentive targets Gao Hong failed in the 2013 performance assessment, of whom the third unlocking restricted shares of 18,000 shares should not be locked and would be repurchased and written off by the Company; The original incentive targets Yang Jun, Wang Fuye, Yang Zezhi, Zhai Shenbo and Yang Jian had left their position during Aug. 2013 to May 2014, which had not met with the incentive plan of “No. 20 Unlocking Arrangement and Inspection Conditions of Restricted Stocks”. Those 5 people had been granted the whole unlocking stocks which was amounted to 24,000 shares and had be repurchased and written off by the Company.

Particulars about transferring ownership of shares

Applicable Inapplicable

1. On 21 Aug. 2014, the Company applied the locking part of the incentive shares required from Gao Hong, Yang Jun, Wang Fuye, Yang Zezhi, Zhai Shenbo and Yang Jian who did not met with the incentive conditions in Shenzhen Branch of CSDC, which the total transfer procedures was of 42,000 shares and had transferred in the dedicated buyback stock account. On 26 Aug. 2014, the Company had written off and completed the above buyback shares in Shenzhen Branch of CSDC.

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

Applicable Inapplicable

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

Applicable Inapplicable

II. Particulars about shareholders and actual controller

1. Amount of shareholders and shareholding

Unit: Share

Total number of shareholders during the reporting period	75,276	Total number of shareholders till the end of the 5 th trading day before the date of disclosure of annual report	75,465	Total number of preferred share holders who had resumed their voting right at the end of the reporting period (if any) (Notes 8)	0			
Shareholding of shareholders owning over 5% shares or the top 10 shareholders								
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	Amount
Zibo Lucheng Textile	Domestic	14.69%	140,353,583	10,125,694		140,353,583	Pledged	26,000,000

Investment Co., Ltd.	non-state-owned corporation							
Tailun (Thailand) Textile Co., Ltd.	Foreign corporation	12.37%	118,232,400		118,232,400			
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	Foreign corporation	3.19%	30,444,646	-10083996		30,444,646		
LYNAS ASIA FUND	Foreign corporation	1.82%	17,364,475	1349954		17,364,475		
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	Foreign corporation	1.72%	16,411,865	3281774		16,411,865		
VALUE PARTNERS CLASSIC FUND	Foreign corporation	0.85%	8,156,383	1019033		8,156,383		
First State China A Shares Fund	Foreign corporation	0.85%	8,136,972	8136972		8,136,972		
Harvest Cycle Optimization Shares Securities Investment Fund	Domestic non-state-owned corporation	0.76%	7,304,719	7304719		7,304,719		
HTHK-MANULIFE CHINA VALUE FUND	Foreign corporation	0.72%	6,858,138	6858138		6,858,138		
BILL & MELINDA GATES FOUNDATION TRUST	Foreign corporation	0.60%	5,732,809	-730511		5,732,809		
Particulars about strategic investors or common legal persons who became the top ten shareholders because of the issuance of additional shares (if any) (Notes 3)	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	Amount					
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB common shares	140,353,583					
DBS VICKERS (HONG KONG) LTD A/C CLIENTS	30,444,646	Domestically listed foreign	30,444,646					

		shares	
LYNAS ASIA FUND	17,364,475	Domestically listed foreign shares	17,364,475
VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS	16,411,865	Domestically listed foreign shares	16,411,865
VALUE PARTNERS CLASSIC FUND	8,156,383	Domestically listed foreign shares	8,156,383
First State China A Shares Fund	8,136,972	RMB common shares	8,136,972
Harvest Cycle Optimization Shares Securities Investment Fund	7,304,719	RMB common shares	7,304,719
HTHK-MANULIFE CHINA VALUE FUND	6,858,138	Domestically listed foreign shares	6,858,138
BILL & MELINDA GATES FOUNDATION TRUST	5,732,809	Domestically listed foreign shares	5,732,809
Pichon China A Shares Investment Fund	5,586,151	RMB common shares	5,586,151
Explanation about associated relationship and concerted action among the top ten shareholders not subject to trading moratorium as well as between the top ten shareholders not subject to trading moratorium and the top ten shareholders	Among the above shareholders, except that Lucheng Corporation is the 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 the top 10 common shareholders participating in margin trading (if any) (Notes 4)	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.		

Did any shareholder of the Company carry out an agreed buy-back in the reporting period?

Yes No

No shareholder of the Company carried out any agreed buy-back in the reporting period.

2. Particulars about controlling shareholders of the Company

Legal person

Name of controlling shareholders	Legal representative/head of unit	Date of foundation	Organization code	Registered capital	Main business
Zibo Lucheng Textile Investment Co., Ltd.	Liu Shizhen	25 Sep. 1998	16420039-1	RMB 6326 ten thousand Yuan	Investment on textile, electricity and chemical; purchase, process and sale of cotton; retail service etc.
Future development strategy	Supporting the long-term development of the listed companies.				
Operation results, financial situation, cash flow and future development	Operation revenues of 2014 was of RMB 218.11 million, the total assets was of RMB 728.63 million, net assets was of RMB 587.52 million and the operation net cash flow was of RMB 85.63 million.				
Particulars about shareholding of controlling shareholders controlling and holding shares of other listed companies during the reporting period	N/A				

Changes in controlling shareholders during the reporting period

Applicable Inapplicable

There was no change in controlling shareholders during the reporting period of the Company.

3. Particulars about the actual controller

Natural person

Name of actual controller	Nationality	Whether achieving right of residence in other countries or regions
Liu Shizhen	China	No
Professions and titles over the past five years	Chairman of the board of Lu Thai Textile Co., Ltd.	
Particulars about listed companies with shares ever held by the actual controller over the past 10 years	None	

Changes in the actual controller during the reporting period

Applicable Inapplicable

There was no change in the actual controller during the reporting period of the Company.

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

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

Applicable Inapplicable

III. Information of company shareholders and persons acting in concert putting forward and implementing shareholding increase plan within the report period

Applicable Inapplicable

Name of shareholders/persons acting in concert	Amount of planned overweight shares	Proportion of planned overweight shares (%)	Actual amount of overweight shares	Actual proportion of overweight shares (%)	First disclosure date of overweight shares plan	Disclosure date of the ending of the execution of overweight shares plan
Zibo Lucheng Textile Investment Co., Ltd.			4,386,036	0.46%		18 Jan. 2014
Zibo Lucheng Textile Investment Co., Ltd.			5,739,658	0.60%		1 Jul. 2014

Other notes

1. During 12 Dec. 2013 and 31 Dec. 2013, Zibo Lucheng Textile Investment Co., Ltd. increase the holding of the circulating A shares (000726) of the Company by the transaction method of centralized competitive bidding through Shenzhen Branch of SZSE of 6,913,189 shares, which of 0.72% of the total share capital of the Company. During 1 Jan. 2014 to 17 Jan. 2014, Zibo Lucheng Textile Investment Co., Ltd. increase the holding of the circulating A shares (000726) of the Company by the transaction method of centralized competitive bidding through Shenzhen Branch of SZSE of 4,386,036 shares. Up to 17 Jan. 2014, the total the Zibo Lucheng Textile Investment Co., Ltd. increase the holding of the circulating A shares (000726) of the Company by the transaction method of centralized competitive bidding through Shenzhen Branch of SZSE was added up to 11,299,225 shares that of 1.18% of the total share capital of the Company, with the increasing average price of RMB 9.99. After the increasing holding, Zibo Lucheng Textile Investment Co., Ltd. held 134,613,925 shares of the total shares that covered 14.08% of the total share capital of 955,800,496 shares of the Company. For the specific situation of the event, please refer to the relevant announcements disclosed on Securities Times, Shanghai Securities News, Ta Kung Pao and www.cninfo.com.cn 18 Jan. 2014.

2. During 4 Jun. 2014 to 27 Jun. 2014, Zibo Lucheng Textile Investment Co., Ltd. increase the holding of the circulating A shares (000726) of the Company by the transaction method of centralized competitive bidding through Shenzhen Branch of SZSE of 5,739,658 shares that covered 0.60% of the total share capital of the Company with the increasing holding average price of RMB 8.71. After the increasing holding, Zibo Lucheng Textile Investment Co., Ltd. held 140,353,583 shares of the total shares that covered 14.69% of the total share capital of 955,800,496 shares of the Company. For the specific situation of the event, please refer to the relevant announcements disclosed on Securities Times, Shanghai Securities News, Ta Kung Pao and www.cninfo.com.cn 1 Jul. 2014.

Section VII. Preferred Shares

Applicable Inapplicable

There was no any preferred share of the Company during the reporting period.

Section VIII. Directors, supervisors, senior executives and staff

I. Changes in shareholding of directors, supervisors and senior executives

Name	Title	Incumbent or not	Gender	Age	Starting date of office term	Closing date of office term	Shares held at the beginning of the reporting period (share)	Increase of shares in this reporting period (share)	Decrease of shares in this reporting period (share)	Shares held at the end of the reporting period (share)
Liu Shizhen	Chairman of the Board	Incumbent	Male	75	6 Jun. 2013	5 Jun. 2016	437,295			437,295
Xu Zhinan	Vice Chairman of the Board	Incumbent	Male	85	6 Jun. 2013	5 Jun. 2016				
Liu Zibin	Director/General Manager	Incumbent	Male	50	6 Jun. 2013	5 Jun. 2016	148,290			148,290
Fujiwara Hidetoshi	Director/Senior Consultant	Incumbent	Male	75	6 Jun. 2013	5 Jun. 2016				
Chen Ruimou	Director	Incumbent	Male	71	6 Jun. 2013	5 Jun. 2016				
Zeng Facheng	Director	Incumbent	Male	64	6 Jun. 2013	5 Jun. 2016				
Wang Fangshui	Director/Chief Engineer	Incumbent	Male	54	6 Jun. 2013	5 Jun. 2016	193,238		41,885	151,353
Qin Guiling	Director/Secretary to the Board of Vice General Manager	Incumbent	Female	49	6 Jun. 2013	5 Jun. 2016	124,452		15,663	108,789
Zhou Zhiji	Independent Director	Incumbent	Male	52	6 Jun. 2013	5 Jun. 2016	0			0

Wang Lei	Independent Director	Incumbent	Female	45	6 Jun. 2013	5 Jun. 2016	0			0
Xu Jianjun	Independent Director	Incumbent	Male	41	6 Jun. 2013	5 Jun. 2016	0			0
Zhang Chengzhu	Independent Director	Incumbent	Male	64	29 Apr. 2014	5 Jun. 2016	0			0
Zhao Yao	Independent Director	Incumbent	Male	45	19 Sep. 2014	5 Jun. 2016	0			0
Li Tongmin	Supervisory Board Chairman	Incumbent	Male	59	19 Sep. 2014	5 Jun. 2016	176,164			176,164
Liu Zilong	Supervisor	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	0			0
Dong Shibing	Supervisor	Incumbent	Male	46	6 Jun. 2013	5 Jun. 2016	5,000			5,000
Zhang Jianxiang	Vice General Manager	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	88,400		25,000	63,400
Zhang Hongmei	Chief Accountant	Incumbent	Female	45	6 Jun. 2013	5 Jun. 2016	88,100			88,100
Wang Jiabin	Assistant General Manager, Production Manager	Incumbent	Male	52	6 Jun. 2013	5 Jun. 2016	83,700			83,700
Zhang Shougang	Assistant General Manager, Garment Division Manager	Incumbent	Male	45	6 Jun. 2013	5 Jun. 2016	83,100			83,100
Zhang Zhanqi	Assistant General Manager, Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Incumbent	Male	43	6 Jun. 2013	5 Jun. 2016	80,300			80,300
Zhang Keming	Manager of Financial Dep.	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	95,200			95,200
Pan Pingli	Manager of	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	126,096			126,096

	International Business Dep. III	ent								
Lv Yongchen	Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	77,900		25,000	52,900
Yu Shouzhen	Manager of Energy Business Dep.	Incumbent	Male	47	6 Jun. 2013	5 Jun. 2016	83,100			83,100
Quan Peng	Marketing Manager	Incumbent	Male	48	6 Jun. 2013	5 Jun. 2016	37,000			37,000
Wang Changzhao	Manager of the First Department of International Business	Incumbent	Male	41	6 Jun. 2013	5 Jun. 2016	30,000		7,500	22,500
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Incumbent	Male	42	9 Dec. 2014	5 Jun. 2016				
Shang Chenggan	Manager of Enterprises Management Department	Incumbent	Male	42	6 Jun. 2013	5 Jun. 2016	30,000		0	30,000
Sun Ruizhe	Independent Director	Left	Male	52	6 Jun. 2013	14 Jan. 2014	0			0
Su Xin	Independent Director	Left	Female	47	6 Jun. 2013	12 Jul. 2014	0			0
Zhu Lingwen	Supervisory Board Chairman	Left	Male	63	6 Jun. 2013	19 Sep. 2014	91,638			91,638
Total	--	--	--	--	--	--	2,078,973	0	115,048	1,963,925

II. Particulars about employers

Main working experience of directors, supervisors and senior executives over the recent 5 years

1. Mr. Liu Shizhen: Chairman of the Board. He was born in 1940, graduated from technical secondary school. From Oct. 1993 to Jun. 2007, he was Chairman of the Board and General Manager of the Company; since Jun. 2007, he has been Chairman of the Board of the Company, and concurrently takes the following positions: Chairman of the Board of Lucheng Company, Chairman of the Board of Lufeng Weaving & Dyeing Co., Ltd., Chairman of the Board of Luqun Textile, Chairman of the Board of Xinjiang Luthai,

Chairman of the Board of Beijing Innovative, Chairman of the Board of Beijing Lufeng Sunshine, Chairman of the Board of Beijing Lu Thai Youxian, Chairman of the Board of Stanluian and Chairman of the Board of Taimei Tie Company.

2. Mr. Xu Zhinan: Vice Chairman of the Board of the Company. He was born in 1930, Thailand Nationality. Since 2004, he has been acting as director and Vice Chairman of the Board of the Company, and General Manager of Tailun (Thailand) Textile Co., Ltd.

3. Mr. Liu Zibin: Director and concurrently General Manager of the Company. He was born in 1965, and achieved Master Degree. From Oct. 2004 to Jun. 2007, he acted as Chairman of the Board of Zibo Lucheng Textile Investment Co., Ltd, now concurrently was director of Luqun Textile, director of Beijing Innovative and supervisor of Beijing Lu Thai Youxian.

4. Mr. Fujiwara Hidetoshi: Director of the Company. He was born in 1940, Japanese Nationality. Since 1998, he has been holding post of director and senior consultant of Luthai Company, and concurrently was director of Lufeng Weaving & Dyeing Co., Ltd.

5. Mr. Chen Ruimou: Director of the Company. He was born in 1944, and holder of bachelor degree. From 1998 to now, he has been director of the Company.

6. Mr. Zeng Facheng, director of the Company, was born in 1951, Thailand nationality. He acts as Chairman of the Board of GOLD MINE GARMENT CO., LTD. and BLOSSOM GARMENT MANUFACTURING (THAILAND) CO., LTD.

7. Mr. Wang Fangshui: Director, Vice General Manager and Chief Engineer of the Company. He was born in 1961, holder of MBA degree. Since 1998, he has been director and Chief Engineer of the Company, and concurrently is director and General Manager of Lufeng Weaving & Dyeing, director of Xinjiang Luthai and director of Luqun Textile.

8. Ms. Qin Guiling: Director, Vice General Manager and Secretary to the Board of the Company. She was born in 1966, holder of MBA degree. Since 1998, she has been director and Secretary to the Board of the Company, and concurrently supervisor of Xinjiang Luthai, director of Luqun Textile, director of Beijing Innovative and director of Beijing Lu Thai Youxian.

9. Mr. Zhou Zhiji, independent director of the Company, was born in 1963 and holder of bachelor degree of accounting. From Aug. 1986 to Jan. 1989, he has acted as cadre of Shandong Provincial Department of Finance; from Jan. 1989 to Jan. 1999, he took the post as director of Shandong Certified Public Accountants Co., Ltd; from Jan. 1999 to Jul. 2000, he was director accountant in Shandong Zhengyuan Certified Public Accountants Co., Ltd; from Jul. 2000 to Jan. 2008, he was director and manager of Shandong Yingshida Enterprise Management Consulting Co., Ltd. Since Jan. 2008 to now, he was executive director and manager of Shandong Jinheng Consulting Co., Ltd.

10. Ms. Wang Lei, independent director of the Company, was born in 1970 and doctor degree holder. From Jul. 1994 to Sep. 2001, he was an assistant to General Manager of Investment Bank Department in Tiantong Securities Co., Ltd; from Sep. 2001 to Nov. 2004, he took the post as General Manager of Liaocheng Business Department of Tiantong Securities; since Nov. 2004 up to now, he has been General Manager of Chaowai Street Operating Department of Tiantong Securities; from Apr. 2005 to Dec. 2006, he was the General Manager of Investment Bank Department of Tiantong Securities; from Jan. 2009 to Jun. 2011, he was the General Manager of Beijing United Cooperation Center as well as Chaowai Street Operating Department in Qilun Securities Co., Ltd.; from Jun. 2011 to now, he has been the General Manager of OTC Marketing Department, and concurrently Director of Beijing United Cooperation Center as well as General Manager of SME Financing Department in Qilun Securities Co., Ltd.

11. Xu Jianjun: independent director of the company, born in 1974, master degree holder. Once took the post of Senior Staff Member of Head Office of Bank of China, Legal Counsel, lawyer at Beijing Jingtian Gongsheng Law Firm. From August of 2004 up to now, serves as a partner of Beijing Deheng Law Firm. Now he is taking a post of partner and deputy director of Beijing Deheng Law Firm.

12. Mr. Zhang Chengzhu: Independent Director of the Company, born in 1951, senior economist. Once took the post of Principal Staff Member, Deputy Director of Production System Department and Department Head of Structural Reforms commission of Shangdong Province from 1986 to 1996; as Department Head of Distribution Department of Shandong Securities Management Office from 1996 to 1998; as Department Head of CSRC Jinan Securities Management Office, Department Head of General Office, Associate Counsel, Senior Vice Chairman of Shandong Listed Companies Association; and retired in Mar. 2011.

13. Mr. Zhao Yao: Independent Director of the Company, born in 1970, master degree holder, associate professor of accounting, master tutor and successively acted as member of a council of Accounting Association in Shandong Province, executive member of

the council of Shandong Province Institute of CPAs, member of Shandong Province internal control consultant experts, member of Shandong Province accounting criterion consultant experts and currently act as Director of Department of Accounting of Shandong University of Technology.

14. Mr. Li Tongmin: Supervisory Board Chairman of the Company, born in 1956, graduated from technical secondary school and currently as the Union President of the Company. From Oct. 1993 to 2010, he held the post of Supervisor, Manager of production department and Vice General Manager of the Company.

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

16. Mr. Dong Shibing: Supervisor of the Company. He was born in 1969, graduated from technical secondary school. He ever took the post of Deputy Director of the General Manager Office of the Company, and now holds post of Manager of Property Management Company.

17. Mr. Zhang Jianxiang: Vice General Manager and Vice-president of Luthai Textile Garment Engineering Research Institute as well as office director. He was born in 1968, and MBA degree holder. He once worked as Manager of Quality Management Department and Director of Fabric Finishing Plant.

18. Ms. Zhang Hongmei: Chief Accountant. She was born in 1970; holder of MBA degree and senior accountant. She had served successively as Chief of cost section of financial department of Luthai Textile Co., Ltd., director of the accounting department and deputy chief accountant. Now she serves as Chief Accountant of the Company.

19. Mr. Wang Jiabing: General Manager Assistant and Manager of Production Department of the Company, head of security checkpoint of production department. He was born in 1963, MBA and once acted as Manager of Dyeing Business Department.

20. Mr. Zhang Shougang: Assistant general manager, garment division manager of the Company. He was born in 1970, MBA and senior engineer, once was director of Weaving Factory, Manager of Weaving Business Department and Manager of Quality Control Department in the Company.

21. Mr. Zhang Zhanqi: General Manager Assistant and deputy General Manager in Lufeng Weaving & Dyeing of the Company. He was born in 1972, MBA, once worked as Director of Fabric Finishing Plant and Manager of Quality Control Department.

22. Mr. Zhang Keming: Manager of Financial Department of the Company. He was born in 1968, MBA and senior accountant. From 2002 to 2006, he held the post of Deputy Manager of Financial Department; from Apr. 2006 to present, he has acted as General Manager of Financial Department.

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

24. Mr. Lv Yongchen: Deputy General Manager of Lufeng Weaving and Dyeing Co., Ltd. He was born in 1968 and MBA degree holder. From 2002 to 2010, he acted as Deputy Manager of International Business Department in the Company.

25. Mr. Yu Shouzheng: Energy Business Manager of the Company. He was born in 1968, MBA degree holder and engineer. He once worked as Director of Dynamic Department in the Company. From 2007 to present, he has acted as Manager of Energy Business Department in the Company.

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

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

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

29. Mr. Shang Chenggang: Manager of Enterprise Management Department and Management Representative. He was born in 1973 and had acted as Vice President of General Manager Office and Present.

Employment in shareholders' companies

√ Applicable □ Inapplicable

Name of employers	Name of shareholders' companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in shareholders' companies
Liu Shizhen	Zibo Lucheng Textile Investment Co., Ltd.	Chairman of the Board of Directors	28 Sep. 1998		No
Xu Zhinan	Tailun (Thailand) Textile Co., Ltd.	Chairman of the Board of Directors	29 Jan. 1985		No
Explanations about holding posts in shareholders' companies	Mr. Liu Shizhen is the legal representative of Zibo Lucheng Textile Investment Co., Ltd., holding 21% equities of Zibo Lucheng Textile Investment Co., Ltd. and he is the largest shareholder as well as the actual controller. Basic information about Mr. Liu Shizhen: Chinese, no right of residence in other countries or regions. Mr. Xu Zhinan is the sponsor of foreign capital of the Company, shareholder of Tailun (Thailand) Textile Co., Ltd. and Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder of the Company. Basic information about Mr. Xu Zhinan: Thai.				

Employment in other companies

√ Applicable □ Inapplicable

Name of employers	Name of other companies	Posts held in shareholders' companies	Start date of tenure	Expiration Date of tenure	Whether receiving subsidies and remuneration in other companies
Liu Shizhen	Beijing Sichuang Adornments Co., Ltd., Luthai (Hong Kong) Co., Ltd., Xinjiang Luthai Harvest Cotton Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd., Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Thermal Power Co., Ltd., Beijing Lufeng Sunshine Garments Co., Ltd., Shanghai Luthai Textile & Garments Co., Ltd., Beijing Luthai Youxian E-commerce Co., Ltd.	Chairman of the Board of Directors	11 Jul. 2000		No
Liu Zibin	Beijing Sichuang Adornments Co., Ltd., Zibo Luqun Textile Co., Ltd., Beijing Luthai Youxian E-commerce Co., Ltd.	Director, Supervisor	1 Jul. 2003		No
Wang Fangshui	Xinjiang Luthai Harvest Cotton Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd., Zibo Luqun Textile Co., Ltd.	Director	17 Jun. 2003		No
Qin Guiling	Xinjiang Luthai Harvest Cotton Co., Ltd.,	Director,	17 Jun. 2003		No

	Zibo Luqun Textile Co., Ltd. , Beijing Luthai Youxian E-commerce Co., Ltd.	Supervisor			
Zhou Zhiji	Shandong Jinheng Consulting Co., Ltd.	Executive Director, Manager	1 Jan. 2008		Yes
Wang Lei	OTC Marketing Department of Qilun Securities Co., Ltd., SME Financing Department in Qilun Securities Co., Ltd.	General Manager and Director of Beijing United Cooperation Center, General Manager	1 Jun. 2011		Yes
Xu Jianjun	Beijing Deheng Law Offices	Partner	1 Aug. 2004		Yes
Zhao Yao	Shandong University of Technology	Associate Professor	1 Mar. 2001		Yes
Explanations about employment in other companies	Except independent directors, other companies directors, supervisors, senior executives are holding posts in are all controlling subsidiaries of the Company.				

III. Remuneration of directors, supervisors, senior executives.

Decision-making procedures, determinate basis and actual payment of remuneration of directors, supervisors, senior executives

Decision-making procedures of remuneration of directors, supervisors, senior executives	Remuneration committee under the board of directors is responsible for formulating assessment standards of directors and senior executives and conducting assessment; for formulating and reviewing remuneration policy and program of directors and senior executives; it is responsible for the board of directors. The remuneration committee, according to appraisal results of position performance and motivation and restriction plan for senior executives, proposes amount of payment and methods of reward for directors and senior executives and submits the above resolutions to the board of directors for ratification after the approval by voting.
Determinate basis of remuneration of directors, supervisors, senior executives	The Chief Accountant Office, the Corporate Management Department and the HR Department of the Company was responsible for preparations for the decision-making of the Remuneration and Appraisal Committee by providing relevant information of the Company as follows: (I) accomplishment of main financial and business objectives; (II) accomplishment of relevant indicators of other listed companies in the sector; (III) work scope and main responsibilities of senior management staff; and (IV) accomplishment of indicators involved in the performance appraisal system for directors and senior management staff. The remuneration committee appraised directors and senior management staff according to the following procedure: (I) Senior management staff made a duty report to the Remuneration and Appraisal

	Committee under the Board of Directors; (II) The remuneration committee reviewed the performance appraisal report formulated by the HR Department; (III) The annual appraisal results of senior management staff were put forward according to the performance appraisal results and the senior staff incentive and disciplinary plan. Upon approval by voting, the results were reported to the Board of Directors for approval.
Actual payment of remuneration of directors, supervisors, senior executives	The number of incumbent directors, supervisors and senior executives is 29, among which there are 28 persons actually receiving remuneration from the Company. Till 31 Dec. 2014, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB 22,502,000 (before tax).

Remuneration of directors, supervisors and senior executives during the reporting period

Unit: RMB Ten Thousand Yuan

Name	Title	Gender	Age	Incumbent or not	Total amount of payment received from the Company	Total amount of payment received from the shareholders' companies	Actual payment till the end of the reporting period
Liu Shizhen	Chairman of the Board of Directors	Male	75	Incumbent	198.33	0	198.33
Xu Zhinan	Vice chairman of the Board of Directors	Male	85	Incumbent	49.21	0	49.21
Liu Zibin	Director/General Manager	Male	50	Incumbent	128.94	0	128.94
Fujiwara Hidetoshi	Director/Senior Consultant	Male	75	Incumbent	507.53	0	507.53
Chen Ruimou	Director	Male	71	Incumbent	49.21	0	49.21
Zeng Facheng	Director	Male	64	Incumbent	1.19	0	1.19
Wang Fangshui	Director/Vice Director/Chief Engineer	Male	54	Incumbent	126.17	0	126.17
Qin Guiling	Director/Vice Director/ Chairman Secretary	Female	49	Incumbent	112.65	0	112.65
Zhou Zhiji	Independent Director	Male	52	Incumbent	4.8	0	4.8
Wang Lei	Independent Director	Female	45	Incumbent	4.8	0	4.8
Xu Jianjun	Independent Director	Male	41	Incumbent	4.8	0	4.8
Zhang Chengzhu	Independent Director	Male	64	Incumbent		0	
Zhao Yao	Independent Director	Male	45	Incumbent	4.8	0	4.8
Li	Supervisory Board Chairman	Male	59	Incumbent	127.36	0	127.36

Tongmin							
Liu Zilong	Supervisor	Male	47	Incumbent	59.41	0	59.41
Dong Shibing	Supervisor	Male	46	Incumbent	58.51	0	58.51
Zhang Jianxiang	Deputy General Manager	Male	47	Incumbent	72.38	0	72.38
Zhang Hongmei	Chief Accountant	Female	45	Incumbent	72.04	0	72.04
Wang Jiabin	General Manager Assistant, Manager of Production Department	Male	52	Incumbent	65.33	0	65.33
Zhang Shougang	Assistant General Manager, Garment Division Manager	Male	45	Incumbent	65.19	0	65.19
Zhang Zhanqi	Assistant General Manager, Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Male	43	Incumbent	65.16	0	65.16
Zhang Keming	Manager of Financial Dep.	Male	47	Incumbent	58.33	0	58.33
Pan Pingli	Manager of International Business Dep. III	Male	47	Incumbent	58.94	0	58.94
Lv Yongchen	Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.	Male	47	Incumbent	57.93	0	57.93
Yu Shouzhen	Manager of Energy Business Department	Male	47	Incumbent	58.79	0	58.79
Quan Peng	Marketing Manager	Male	48	Incumbent	40.18	0	40.18
Wang Changzha	Manager of the First Department of International Business	Male	41	Incumbent	39	0	39
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Male	42	Incumbent	119.99	0	119.99
Shang Chenggan	Manager of Enterprises Management Department	Male	42	Incumbent	39.23	0	39.23
Total	--	--	--	--	2,250.2	0	2,250.2

Stock incentive granted to directors, supervisors and senior executives during the reporting period

√ Applicable □ Inapplicable

Name	Title	Amount of exercisable stock options during the reporting period	Amount of exercised stock options during the reporting period	Exercise price of exercised stock options during the reporting period (Yuan/share)	Market price at the end of the reporting period (Yuan/share)	Amount of restricted stocks at the beginning of the reporting period	Amount of newly-granted restricted stocks in the reporting period	Grant price of restricted stocks (Yuan/share)	Amount of restricted shares at the end of the reporting period
Liu Zibin	Director/General Manager					30,000			0
Wang Fangshu	Director/Vice Director/General Engineer					30,000			0
Zhang Jianxiang	Vice General Manager					30,000			0
Zhang Hongmei	Chief Accountant					30,000			0
Li Tongmin	Union President					30,000			0
Wang Jiabin	General Manager Assistant, production Assistant to General Manager					30,000			0
Zhang Shougan	Assistant General Manager, Garment Division Manager					30,000			0
Zhang Zhanqi	Assistant General Manager, Deputy General Manager of Lufeng Weaving & Dyeing Co., Ltd.					30,000			0
Zhang Keming	Manager of Financial Dep.					30,000			0
Pan Pingli	Manager of International Business Dep. III					30,000			0
Lv	Deputy General					30,000			0

Yongchen	Manager of Lufeng Weaving & Dyeing Co., Ltd.								
Yu Shouzhen	Manager of Energy Business Dep.					30,000			0
Quan Peng	Marketing Manager					30,000			0
Wang Changzhao	Manager of the First Department of International Business					30,000			0
Shang Chenggan	Manager of Enterprises Management Department					30,000			0
Total	--	0	0	--	--	450,000	0	--	0
Notes (if any)	On 11 Jun. 2014, the 11 th Session of the 7 th Board of Directors reviewed and approved "Proposal on Unlocking Restricted Stock Incentive Plan during the Third Unlocking Period" and there were 332 met the conditions of unlocking of the third incentive plan as well as the senior executives were all met with the unlocking conditions, thus the restricted shares held by the senior executives at the period-begin of the Company were unlocked during the reporting period. The Company would no more held the equity incentive restricted shares.								

IV. Changes in directors, supervisors and senior executives of the Company

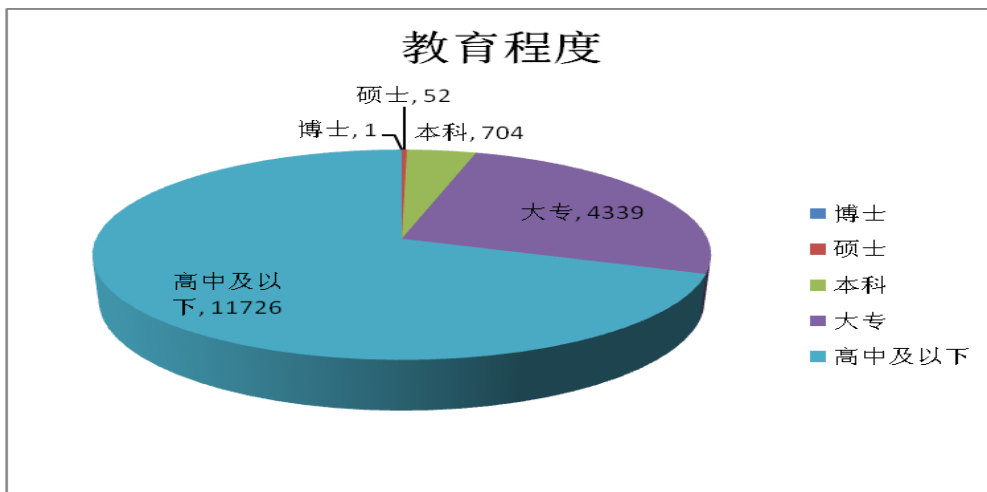
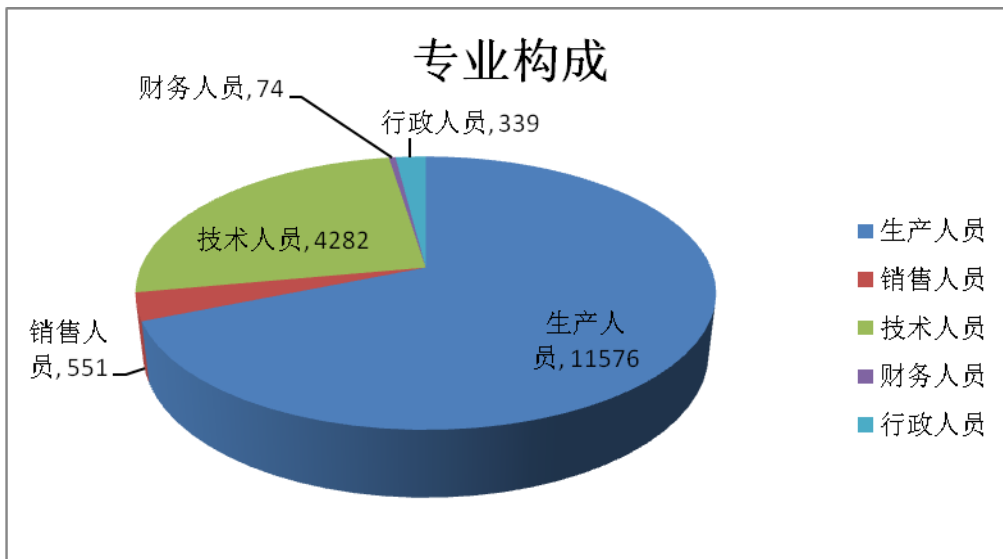
Name	Position	Type	Date	Reason
Li Tongmin	Supervisory Board Chairman	Elected	19 Sep. 2014	On 29 Jul. 2014, he resigned the senior executive position and be elected as Supervisor on the 1 st Extraordinary General Meeting in 2014.
Fujiwara Matsuzaka	Manager of the Second Department of International Business	Engaged	9 Dec. 2014	He was engaged as Senior Executive.
Sun Ruizhe	Independent Director	Left	14 Jan. 2014	Resigned owing to personal reasons
Su Xin	Independent Director	Left	12 Jul. 2014	Resigned owing to personal reasons
Zhu Lingwen	Supervisory Board Chairman	Left	19 Sep. 2014	Resigned owing to age and health.

V. Personnel changes in the core technical team or the key technical staff in the Reporting Period (excluding directors, supervisors and senior executives)

There are no changes in the core technical team or the key technical staff in the reporting period.

VI. Employers of the Company

Number of incumbent employers	16822
Number of retired employers whose payment need to be borne by the Company	0
Professional structure	
Category of professional structure	Number of professional staff
Production personnel	11576
Salespeople	551
Technical personnel	4282
Financial staff	74
Administrative staff	339
Education level	
Degree	Number (person)
Doctor degree	1
Master degree	52
Bachelor degree	704
college degree	4339
Senior high school or below	11726
Remuneration policy	
The Company has formulated a remuneration management system with its principle being “payment according to one’s work and more pay for more work”. Through post evaluation and through researches of Social salary levels carried out as multi-faceted, as well as the formulation of the reasonable salary management system, fully demonstrates the internal fairness, self fairness and external fairness. It has greatly motivated the employees and enhanced the corporate management.	
Training plan	
Trainings will be carried out according to requirements of the Company’s strategic development planning, improvement of employees’ capability, performance management, employees’ career planning, etc. The annual training plan is determined by carrying out researches on training needs. And the training courses fall into three major categories, i.e. management, technical skills and general knowledge. Through these trainings, the Company will improve the knowledge structure of its employees, improve their job skills and increase their comprehensive quality to provide excellent human resources for the long-term, sustained and stable development of the Company.	



Section IX. Corporate Governance

I. Basic condition of corporate governance

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

2. About shareholders and Shareholders' General Meeting

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

3. About the relationship between the principal shareholders and the Company

The Company's principal shareholders acted according to relevant standards without directly or indirectly intervening the Company's decision-making and operating activities over the Shareholders' General Meeting; the Company was independent with its principal shareholders in business, personnel, assets, organization, finance, and the Company's Board of Directors, Supervisory Committee and Internal Organs could completely independent to operate. There was no situation about annexing the assets or occupation of funds of the Company by principal shareholders or other events on infringing the interest of the Company and other shareholders.

4. About the directors and Board of Directors

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

5. About supervisors and Supervisory Committee

The Company's Supervisory Committee and supervisors conscientiously performed their duties by strictly implementing relevant regulations of Articles of Association and the Rules of Procedure for Supervisory

Committee, and conducted effective supervision on the Company's finance, the legal and regulatory compliance of directors and senior executive in duty performance.

6. About information disclosure and the transparency

The Company authentically, accurately, completely and timely performed its information disclosure responsibility in strict accordance with the stipulations of the Stock Listing Rules of Shenzhen Stock Exchange and relevant laws and regulations. Moreover, it ensured all shareholders have equal opportunity to gain information by disclosing information in strict accordance with Management System on Information Disclosure and Management System on Information Insiders as well as relevant stipulations. During the reporting period, the Company revised the Information Disclosure Management System of Luthai Textile Co., Ltd. according to the relevant regulations of No. 23-No. 35 of Memo of Information Disclosure Business issued by SZSE and combined with the actual situation of the Company.

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

8. About relevant beneficiaries

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

Besides, *Guarantee Management System of Luthai Textile*, *Independent Director Work System of Luthai Textile*, *Related Transaction Management System of Luthai Textile*, *Funds Use Management System of Luthai Textile*, *Management System for Capital Transaction with Related Parties of Luthai Textile*, and *Foreign Investment Management Measures of Luthai Textile* have been modified on 2013 shareholder's meeting; and *Asset Depreciation Reserve Management System of Luthai Textile* has been modified on the first extraordinary shareholder's meeting in 2014. On the 7th session of the seventh board meeting, *Board Auditing Committee Work Rules of Luthai Textile*, *Board Nominating Committee Work Rules of Luthai Textile*, *Board Remuneration and Evaluation Committee Work Rules of Luthai Textile*, *Investor Relation Management System of Luthai Textile*, and *Funds Use Management System of Luthai Textile* have been approved; on the 11th session of the seventh board meeting, *Controlled Subsidiary Management System of Luthai Textile*, *Controlled Subsidiary Authorization Management System of Luthai Textile*, *Controlled Subsidiary Major Event Report System of Luthai Textile*, and *Authorization Management System of Luthai Textile* have been approved, and *Internal Audit Management System of Luthai Textile* modified; on the 15th session of the seventh board meeting, *Derivative Transaction Management System of Luthai Textile* and *General Manager Work Rules of Luthai Textile* have been approved.

Whether there existed differences between corporate governance and relevant rules of "Company Laws" and CSRC

Yes No

There existed no difference between corporate governance and relevant rules of "Company Laws" and CSRC.

Progress of corporate governance activities, promulgation and implementation of Registration System for Information Insiders

1. The 22nd Session of the 6th Board of Directors of the Company reviewed and approved as well as compared

with the 3rd Special Shareholders' General Meeting for 2012 to approve the Proposal on Revising the Articles of Association of the Company, which clearly defined the basic principle and detailed policies of profits distribution for the Company, and the approval procedures & implementation of the Profits Distribution Plan, as well as the changes in the profits distribution policies, etc., so as to further perfect the Company's internal control system and profits distribution policies.

2. The 15th Session of the 5th Board of Directors of the Company reviewed and approved the Management System for Internal Control, and the 19th Session of the 6th Board of Directors was convened on 21 Mar. 2012, at which reviewed and approved the revised Management System for Internal Control of Lu Thai Textile Co., Ltd.

3. The 37th Session of the 5th Board of Directors of the Company reviewed and approved the Registration System for Information Insiders, and the 19th Session of the 6th Board of Directors of the Company was convened on 21 Mar. 2012, at which reviewed and approved the revised Registration System for Information Insiders.

The above systems have been disclosed on <http://www.cninfo.com.cn>. During the period of preparing the periodical reports, the Company had conducted registration on the information insiders according to the above systems; upon self-examination, no information insiders of the Company were found to trade the Company's stocks in the sensitive period.

II. Particulars about annual shareholders' general meetings and temporary shareholders' general meetings held during the reporting period

1. Particulars about annual shareholders' general meetings during the reporting period

Meetings	Date of holding meetings	Proposal passed on the meetings	Resolution	Date of disclosure	Index for disclosure
2013 annual shareholders' general meeting	29 Apr. 2014	Proposal on 2013 Working Report of the Board of Directors; Proposal on 2013 Annual Working Report of the Supervisory Committee; Proposal on 2013 Annual Report and Abstract; Proposal on 2013 Annual Financial Statement; Proposal on Profit Distribution Plan for 2013; Proposal on Engaging the RSM China CPAs (LLP) as the 2014 Financial Report and Internal Control Audit Institution of the Company; Proposal on the Supplement of the Candidates of the Independent Directors; Proposal on Revising Partly of the Regulations of the Guarantee Management System of Luthai Textile Co., Ltd.; Proposal on Revising Partly of the Regulations of the Rules of Procedure of the Annual General Meeting of Luthai Textile Co., Ltd.; Proposal on Revising Partly of the Regulations of the Rules of Procedure of the Board of Directors of Luthai Textile Co., Ltd.; Proposal on Revising the Working System of the Independent Directors of Luthai Textile Co., Ltd.; Proposal on Revising the Related Transaction	Approved	30 Apr. 2014	Resolution of the meeting was disclosed on the Securities Times, Ta Kung Pao, Shanghai Securities News and www.cninfo.com.cn on 30 Apr. 2014.

		Management System of Luthai Textile Co., Ltd.; Proposal on Revising the Raised Funds Usage Management System of Luthai Textile Co., Ltd.; Proposal on Revising the Come-and-go Funds Management System with the Related Parties of Luthai Textile Co., Ltd.; Proposal on Revising the Internal Investment Management Method of Luthai Textile Co., Ltd.			
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2. Particulars about temporary shareholders' general meetings during the reporting period

Meetings	Date of holding meetings	Proposal passed on the meetings	Resolution	Date of disclosure	Index for disclosure
2014 1 st Extraordinary General Meeting	19 Sep. 2014	Proposal on Nominating Zhao Yao as the Candidate of the Supplement Independent Director of the 7 th Board of Directors; Proposal on Reviewing and Revising the Management System of the Withdrawal of the Assets Impairment Provision of Luthai Textile Co., Ltd.; Proposal on Reviewing and Revising Partly Regulations of the Articles of Association; Proposal on Reviewing and Revising the Rules of the Procedure of the Annual General Meeting of the Company.	Approved	20 Sep. 2014	Resolution of the meeting was disclosed on the Securities Times, Ta Kung Pao, Shanghai Securities News and www.cninfo.com.cn on 20 Sep. 2014.

III. Duty performance of independent directors during the reporting period

1. Particulars about attendance of independent directors in board meetings and shareholders' general meetings

Particulars about attendance of independent directors in board meetings						
Name of independent director	Amount of meetings independent director need attend this year	Amount of meetings independent director attended in person	Amount of meetings director attended in the means of communication	Amount of meetings director authorized others' attendance	Amount of meetings independent director was absent from	Whether being absent from board meetings two times in succession
Zhou Zhiji	10	1	9	0	0	No
Wang Lei	10	0	9	1	0	No
Sun Ruizhe	1	0	0	0	1	No
Su Xin	6	0	5	0	1	No
Xu Jianjun	10	1	9	0	0	No

Zhang Chengzhu	8	1	7	0	0	No
Zhao Yao	2	2	0	0	0	No
Amount of shareholders' general meetings that independent directors attended	2					

Explanations about being absent from board meetings two times in succession

N/A

Whether independent directors raised objections to relevant events of the Company

Yes No

During the reporting period, independent directors did not raise objections to relevant events of the Company.

IV. Duty performance of special committees affiliated to the board of directors during the reporting period

Duty fulfillment of Audit Committee under the Board

1. Main work of the Audit Committee in the preparation of the 2014 Annual Report

(1) On 11 Nov. 2014, the Audit Committee convened the first session for the 2014 annual financial audit at the Conference Room of the Company. At this session, the Audit Committee and Ruihua CPAs (LLP) (the auditor for 2014) determined, through consultation, the schedule for the 2014 annual financial audit.

(2) On 20 Jan. 2015, the Audit Committee convened the second session for the 2014 annual audit, reviewing the Company's financial statements to be submitted to Ruihua CPAs (LLP) for audit and issuing a written opinion.

(3) In the audit process, the Committee kept in touch with the project manager from Ruihua CPAs (LLP) by phone, email, etc., and urged the manager to submit the auditor's report within the set time.

(4) The 3rd Meeting on 2014 Annual Audit, as well as the 2014 Annual Work Conference, were convened by the Committee on 27 Mar. 2015, where the following proposals were approved as resolutions, namely, the audited 2014 Financial Report of the Company, the Summary Report on the Audit Conducted by Ruihua CPAs (LLP) on the Company's 2014 Financial Report, and the Proposal on Renewing Employment of Ruihua CPAs (LLP) as the Company's audit agency for 2015.

3. Written opinions, summary report of the annual audit, and resolutions of 2014 Work Conference on Annual Report by Audit Committee

(1) Audit Committee's written opinion on the 2014 financial and accounting statements prepared by the Company's Financial Department before the presence of the registered accountants for the annual audit:

According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. The Committee reviewed the 2014 financial and accounting statements prepared by the Company's Financial Department before the presence of the registered accountants for the annual audit, and expressed its opinion as follows:

1. The financial and accounting statements were prepared in accordance with the Company's accounting policy with proper application of the accounting policy and reasonable accounting estimates, which were in line with the New Accounting Standards for Business Enterprises, the Accounting System for Business Enterprises, and the relevant regulations issued by the Ministry of Finance of PRC;

2. The subsidiary statements included in the Company's consolidated statements were complete in terms of contents, providing an accurate basis for the statement combination;

3. The Company's financial statements were found objective, factual and accurate with no major misstatements or information omission.

4. Since there is still a certain period of time from this review of the financial statements to the formal issuance of the auditor's report and the financial statements, the Company's Financial Department is advised to pay close attention to and carefully handle the matters after the balance sheet date, so as to ensure the fairness, factuality and completeness of the financial statements. The Audit Committee is of the opinion that the financial and accounting statements are ready to be submitted to the registered accountants for audit.

(2) Audit Committee's written opinion on the Company's financial statements after the preliminary audit opinion was issued by Ruihua CPAs (LLP):

According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. We effectively communicated with the said CPA firm (LLP) at the beginning of the audit. And we once again reviewed the Company's 2014 financial and accounting statements following the preliminary audit opinion issued by the CPA firm (LLP), and expressed our opinions as follows:

In accordance with the New Accounting Standards for Business Enterprises and the Company's relevant financial rules, the financial statements were prepared in a rational and standardized way, which fairly, factually, accurately and completely presented the Company's assets, liabilities, shareholders' equity and operation results by 31 Dec. 2014.

The Audit Committee is of the opinion that the Company's 2014 financial and accounting statements preliminarily audited by RSM China Certified Public Accountants (Special General Partnership) are ready to be submitted to the Audit Committee for review.

(3) Resolutions made at 2014 Annual Work Conference of Audit Committee of the Board

The Audit Committee of the Board of Lu Thai Textile Co., Ltd. held its 2014 Annual Work Conference at Banyang Villa Meeting Room of the Company on 27 Mar. 2015. Three persons were supposed to attend the meeting, and all three of them were in fact present at the meeting as well as the Chief Accountant, the Manager Assistant of the Audit Department, the project responsible person of Luthai of Ruihua CPAs attended the meeting. Mr. Qi Haodong, Chairman of the Audit Committee, presided over the meeting, and Chief Accountant and Chief Auditor of the Audit Department sat in on the meeting. The meeting was convened in accordance with the Company Law and the Articles of Association of the Company. And the following proposals were passed by vote at the meeting:

I. With 3 favorable votes, 0 negative votes and no abstentions, the 2014 Financial Report of the Company audited by Ruihua CPAs (LLP) was passed;

II. With 3 favorable votes, 0 negative votes and no abstentions, the Summary Report on the Audit Conducted by Ruihua CPAs (LLP) on the Company's 2014 Financial Report was passed;

III. With 3 favorable votes, 0 negative votes and no abstentions, the Proposal on Renewing Employment of Ruihua CPAs (LLP) as the Company's audit agency and internal control audit agency for 2015 was passed with a valid term of 1 year. The Company paid RMB 1.585 million to the said CPAs firm as fees for the 2014 annual financial report audit and internal control audit.

The Committee agrees to submit the above-mentioned proposals 1 and 3 to the Board of Directors for examination on the 19th Session of the 7th Board of Directors.

Duty performance of remuneration committee affiliated to the Board of Directors:

1. The Remuneration Committee of the Board of Luthai Textile Co., Ltd. held the First Conference in 2014 at Banyang Villa Meeting Room of the Company on 24 Mar. 2014. Six persons were supposed to attend the meeting, and four of them were in fact present at the meeting. The Chief Accountant, Board Secretary attended the meeting and because Mr. Sun Ruizhe, the Chairman of the Compensation Committee, and Mr. Su Xin, committee member of Compensation Committee had not attended the meeting and without entrusting other Directors for attendance, the meeting was presided by Mr. Zhou Zhiji, committee member of Compensation Committee and Independent Director. The meeting held by the Company met with the relevant regulations of Company Law and the Articles of Association of the Company. With 3 favorable votes, 0 negative votes and no abstentions, the Proposal on the 2013 Appraisal Result of the Senior Executives of Luthai Company was passed.

The Committee agrees to submit the above-mentioned proposal to the Board of Directors for examination on the 7th Session of the 7th

Board of Directors.

2. The Remuneration Committee of the Board of Luthai Textile Co., Ltd. held the Second Conference in 2014 at Banyang Villa Meeting Room of the Company on 10 Jun. 2014. Six persons were supposed to attend the meeting, and all of them were in fact present at the meeting. The Chief Accountant, Board Secretary attended the meeting, and the meeting was presided by Mr. Zhang Chengzhu, Independent Director and Chairman of Compensation Committee. The meeting held by the Company met with the relevant regulations of Company Law and the Articles of Association of the Company. And the meeting reviewed and approved the following proposals by field voting and communication voting methods:

With 5 With 3 favorable votes, 0 negative votes and no abstentions, the S Proposal on the Locking Conditions of the Third Locking Period of the Restricted Shares Incentive Plan of the Company and the 2013 Appraisal Result of the Incentive Target, and Mr. Liu Zibin avoided the voting as the Related Director was passed.

With 6 favorable votes, 0 negative votes and no abstentions, the Proposal on Repurchasing and Writing off Part of the Original Incentive Targets Gained the Restricted Shares Not Met with the Incentive Conditions was passed.

With 6 favorable votes, 0 negative votes and no abstentions, the Proposal on the Verified Advice on the Third Period of the Locking Restricted Shares of the Incentive Plan of the Company was passed.

The Company considered the qualification of the unlocking 332 incentive targets of the third period of the incentive plan of the restricted shares of the Company legal through the appraisal of the completion situation of the restricted shares incentive plan, the unlocking conditions of the third unlocking period, the incentive targets list met with the unlocking conditions of the third period and the 2013 performance appraisal report of the equity incentive targets that met with relevant regulations of the Equity Incentive Management Method (Trial) of the Listed Companies, Memo of Equity Incentive No. 1-3 and the 2011 Restricted Shares Incentive Plan of Luthai Textile Co., Ltd., as well as the appraisal result of the Company and the incentive targets were both met with the condition of the third unlocking period.

The Committee agrees to submit the above-mentioned proposals 1 and 2 to the Board of Directors for examination on the 11th Session of the 7th Board of Directors.

3. According to the authorization of the 7th Session of the 7th Board of Directors of Luthai Company, the Compensation Committee of the Board of Directors of Luthai Textile Co., Ltd. had held the 3rd meeting of 2014 in the meeting room of Luthai Company on 22 Dec. 2014, of which adopted the method of field voting and communication voting. Six persons were supposed to attend the meeting, and all of them were in fact present at the meeting, of which Mr. Liu Shizhen and Mr. Lliu Zibin voted in field and Mr. Zhang Chengzhu, Mr. Zhou Zhiji, Mr. Wang Lei and Mr. Zhao Yao voted by communication method, as well as the Chief Accountant, Board Secretary attended the meeting. The meeting held by the Company met with the relevant regulations of Company Law and the Articles of Association of the Company and had passed the following proposals by voting:

With 6 favorable votes, 0 negative votes and no abstentions, the Proposal on the Appraisal Result and the Releasing Quotation of the 2013 Risks Fund of the Senior Executives of Luthai Company was passed.

Duty performance of strategic committee affiliated to the Board of Directors:

The Strategic Committee of the Board of Directors of Lu Thai Textile Co., Ltd. held the First Conference in 2014 at Banyang Villa Meeting Room of the Company on 24 Mar. 2014. 13 persons were supposed to attend the meeting, and 12 were in fact present at the meeting. Mr. Liu Shizhen, Chairman of the Strategic Committee, presided over the meeting, and Chief Accountant sat in on the meeting. The meeting was convened in accordance with the Company Law and the Articles of Association of the Company. The following proposals were passed unopposed by vote:

1. Overall Strategic Objectives of Yarn Dyed Fabric of Lu Thai Textile Co., Ltd. for 2014-2016.
2. Overall Strategic Objectives of Shirts Processing of Lu Thai Textile Co., Ltd. for 2014-2016.
3. Fabric production, shirts production, brand, R&D, human resources, fabric information, clothing manufacture ERP engineering and financial sub-plan.
4. 2014 Annual Operation Plan of Lu Thai Textile Co., Ltd.

Duty performance of nominations committee affiliated to the Board of Directors:

1. The Company held the 1st meeting of 2014 of the nominations committee of the 7th Board of Directors on 24 Mar. 2014 according to the relevant regulations of the Articles of Association, which reviewed and approved the proposal on nominating the candidate of the Independent Directors I and had handed in to the 7th Session of the 7th Board of Directors for review and approval.

I. Nominated the candidate for the Independent Director of the 7th Board of Director: Mr. Zhang Chengzhu;

II. According to the regulations of the Company Laws and Articles of Association, the service term of the above personnel was of two years.

III. The nomination would be valid after the review and approval of the 7th Session of the 7th Board of Directors of the Company by submitting.

2. According to the regulations of the relevant documents of the Articles of Association, on 29 Apr. 2014, the Company held the 2nd Meeting of Nominations Committee of the 7th Board of Directors, with 7 favorable votes, 0 negative votes and no abstentions, the proposal on nominating and by-electing Mr. Zhang Chengzhu as the member of the strategic committee of the 7th Board of Directors, member of remuneration committee and the candidate for the chairman of the remuneration committee was passed with the service term till 6 Jun. 2016.

3. The Company held the 3rd Meeting of the Nominations Committee of the 7th Board of Directors according to the regulations of the relevant documents, of which 7 persons were supposed to attend the meeting, and 6 were in fact present at the meeting. And the meeting reviewed and approved the proposal on nominating the candidate for the Independent Director.

I. Nominated and supplanted the candidate for the Independent Director of the 7th Board of Directors: Mr. Zhao Yao.

II. According to the regulations of the Company Laws and Articles of Association, his service term till 6 Jun. 2016.

III. The nomination would be approved after the review by the shareholder meeting of the Company after handed in to the 13th Session of the 7th Board of Directors of the Company.

4. According to the regulations of the relevant documents of the Articles of Association, on 27 Oct. 2014, the Company held the 2014 4th Meeting of the Nominations Committee of the 7th Board of Directors, with 6 favorable votes, 0 negative votes and no abstentions, the proposal on nominating and by-electing Mr. Zhao Yao as the member of the strategic committee of the 7th Board of Directors, member of remuneration committee and the member of audit committee was passed with the service term till 6 Jun. 2016.

5. According to the regulations of the relevant documents of the Articles of Association, on 8 Dec. 2014, the Company held the 5th Meeting of the Nominations Committee of the 7th Board of Directors, with 6 favorable votes, 0 negative votes and no abstentions, the proposal on nominating and engaging Fujiwara Matsuzaka as Senior Executive was passed.

V. Work of the supervisory committee

Whether there existed risks in the Company during the reporting period on the basis of supervision conducted by the supervisory committee

Yes No

The supervisory committee made no objection to events under supervision during the reporting period.

VI. Independence and integrity in business, personnel, assets, organization, finance and so on from controlling shareholder

1. In aspect of business: the Company is completely independent from its controlling shareholder in business and has complete and independent production, supply and sales system and independent operating capability.

2. In aspect of personnel: the Company was independent from its controlling shareholders in human resources such as labor, personnel and wage and has independent and complete capability.

3. In aspect of assets: the Company has complete and independent corporate property right, has independent and integrated production system, accessory production system and fitting facilities and has independent ownership of industrial property, trademark and non-patent technology etc.

4. In the aspect of organization: organization of the Company is independent and perfect, and there is no such situation that the Company shares the same office with its controlling shareholder.

5. In aspect of financing: the Company has independent financial department, standardized financial calculating system, financial management system and internal control system and individual bank account.

VII. Appraisal and incentive of senior executives

In the reporting period, Remuneration Committee of the Board of Directors appraised operating achievements of the Company for the year 2013 according to Incentive and Restricted Proposal for Senior Executives of Lu Thai Textile Co., Ltd, and drew up incentive proposal for senior executives, which will be executed after review and approval by the 7th Session of the 7th Board of Directors dated 23 Mar. 2014.

Section X. Internal Control

I. Construction of internal control

Based on the Basic Norms for Internal Control of Enterprises and the Related Guideline for Internal Control of Enterprises, considering external changes and its existing operation, the Company formulated a sound corporate governance structure and improved the internal control system. In order to effectively carry out and complete all tasks, the 2011 annual internal control work plan was reviewed and approved on the 9th Session of the 6th Board of Directors. All relevant departments of the Company were responsible for carrying out the plan and the corporate management department was responsible for coordinating progress of these departments. On 21 March 2012, the 19th session of the 6th board of directors revised management system of internal control, approved management system of internal control of Lu Thai Textile Co., Ltd. and formulated the Internal Control Brochure as a related document. The internal control system of the Company is complete, normative and effective, which was in line with the Basic Norms for Internal Control of Enterprises. The Company formulated internal control for financial reporting mainly based on the various internal control objectives. Following the principles of completeness, importance, balance, adaptability and cost-effectiveness, effective internal control was formulated for every internal operation link of the Company. A sound internal control system has basically taken shape.

II. Statement of the board on its responsibility towards internal control

The Board of Directors believe that: The internal control management system of the Company has taken shape. Internal control activities basically cover all links of production and operation. Internal control rules are in compliance with the applicable laws, regulations and regulators' requirement. Control over related-party transactions, external guarantees, significant investments, information disclosure and other key activities is thorough and effective, which ensures smooth operation and management of the Company. The board has reviewed and approved the 2014 Annual Internal Control Self-evaluation Report, with the opinion that the report gives a true and objective picture of the actual situation of the Company's internal control.

III. Basis on establishing the internal control for financial report

The stipulations and requirements of the Basic Rules for Enterprise Internal Control, Guidelines for Internal Control of Listed Companies of Shenzhen Stock Exchange and General Provisions on Annual Internal Control Evaluation Report of No. 21—Common Regulations of Assessment Report of Annual Internal Control of CSRC and Internal Control Management System of Lu Thai Textile Co., Ltd. and Internal Control Manual of Lu Thai Textile Co., Ltd. and relevant supporting management system and documents.

IV. Self-appraisal report on internal control

Particulars about significant defects of internal control found during the reporting period in the self-appraisal report on internal control	
During the reporting period, the Company hadn't found any significant defects in the key control activities for internal control listed in the Guideline of Standardized Operation for the Companies Listed on the Main Board of Shenzhen Stock Exchange.	
Disclosure date of the Self-appraisal Report on Internal Control	31 Mar. 2015
Disclosure index of the Self-appraisal Report on Internal Control	For details, please refer to the Self-appraisal Report on Internal Control of Lu Thai Textile Co., Ltd. on www.cninfo.com.cn at the same time of disclosing the Company's 2014 Annual Report.

V. Auditor's report or verification report on internal control

Internal control audit report

Audit opinion paragraphs in the Auditor's Report on Internal Control	
We believe that the Company has made valid internal control on financial report in all significant aspects on 31 Dec. 2014 according to the Basic Rules for Enterprise Internal Control and other relevant stipulations.	
Disclosure date of the Auditor's Report on Internal Control	31 Mar. 2015
Disclosure index of the Auditor's Report on Internal Control	For details, please refer to the Auditor's Report on Internal Control on www.cninfo.com.cn at the same time of disclosing the Company's 2014 Annual Report.

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

Yes No

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

Yes No

VI. Establishment and execution of Accountability Mechanism for Material Mistakes in Disclosure of Annual Reports

The "Accountability Mechanism for Material Mistakes in Disclosure of Annual Reports" was reviewed and approved at the 37th Session of the 5th Board of Directors. The "Rules of Procedure for the Audit Committee Concerning Annual Reports" and the "Work Rules for Independent Directors Concerning Annual Reports" were reviewed and approved at the 12th Session of the 5th Board of Directors. The "Information Insider Registration and Management Rules" was revised at the 19th Session of the 6th Board of Directors. In preparing the annual report, the Company strictly abided by the said mechanisms and rules, with no correction of material accounting mistakes, supplementation for material omission, and amendment to earnings forecast or the like during the reporting period.

Section XI. Financial Report

I. Auditor's report

Type of audit opinion	Standard unqualified audit opinion
Date for signing the auditor's report	28 Mar. 2015
Name of the auditor's report	Ruihua CPAs (LLP)
Document No. of the auditor's report	RHS Zi [2015] No. 37040004
Name of CPA	He Feng, Cui Xiaoli

Text of the auditor's report

RHS Zi [2015] No. 37040004

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

We have audited the accompanying financial statements of Lu Thai Textile Company Limited (hereinafter refers as "the Company") which comprise the Company's balance sheet and the consolidated balance sheet as at 31 December 2014, the Company's profit statement and the consolidated profit statement, the Company's cash flow statement and the consolidated cash flow statement, the Company's statement of changes in owners' equity and the consolidated statement of changes in owners' equity, for the year then ended, as well as the notes to the financial statements.

I. Management's responsibility for the financial statements

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

II. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Opinion

In our opinion, the accompanying financial statements has been prepared according to the Enterprise Accounting Standards and give a true and fair view of the financial position of the Company as at 31 December 2014, and of the financial performance and cash flows for the year then ended in all material aspects.

Ruihua CPAs (LLP)
China Beijing

CPA: He Feng
CPA: Cui Xiaoli

28 Mar. 2015

II. Financial statements

Monetary unit of notes to financial statements: RMB Yuan

1. Consolidated balance sheet

Prepared by Luthai Textile Co., Ltd.

31 Dec. 2014

Unit: RMB Yuan

Item	31 Dec. 2014	31 Dec. 2013
Current Assets:		
Monetary funds	666,293,798.30	872,461,415.00
Financial assets measured at fair value of which changes are recorded in current profits and losses		29,949,120.00
Derivative financial assets		

Notes receivable	113,804,477.43	126,106,380.23
Accounts receivable	211,970,554.10	280,434,879.62
Accounts paid in advance	174,865,932.88	137,003,771.58
Dividend receivable		
Other accounts receivable	63,378,909.28	68,608,410.00
Financial assets purchased under agreements to resell		
Inventories	1,752,570,382.21	1,645,070,671.31
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	5,167,324.98	34,030,201.42
Total current assets	2,988,051,379.18	3,193,664,849.16
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	67,442,600.00	67,442,600.00
Held-to-maturity investments		
Long-term accounts receivable	6,980,998.00	
Long-term equity investment		
Investing real estate		
Fixed assets	4,930,848,056.04	4,454,201,264.50
Construction in progress	123,585,226.80	227,959,833.59
Engineering materials	19,885,765.41	19,094,482.53
Disposal of fixed assets		
Production biological assets	1,310,500.00	

Oil-gas assets		
Intangible assets	373,760,347.71	352,846,664.24
R&D expense		
Goodwill	20,613,803.29	20,613,803.29
Long-term deferred expenses	28,319,033.27	1,711,304.99
Deferred income tax assets	49,963,446.84	58,158,023.19
Other non-current assets	16,910,237.34	16,255,736.00
Total of non-current assets	5,639,620,014.70	5,218,283,712.33
Total assets	8,627,671,393.88	8,411,948,561.49
Current liabilities:		
Short-term borrowings	517,452,946.24	648,664,954.85
Financial liabilities measured at fair value of which changes are recorded in current profits and losses	3,306,200.00	
Derivative financial liabilities		
Notes payable	7,421,979.09	10,213,263.69
Accounts payable	344,082,239.16	400,053,679.69
Accounts received in advance	82,176,191.45	100,793,054.81
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	261,539,206.93	348,179,434.99
Tax payable	74,052,405.97	115,248,378.73
Interest payable	511,373.44	1,499,475.06
Dividend payable	441,456.54	441,966.54
Other accounts payable	58,075,873.18	84,445,300.34

Non-current liabilities due within 1 year	100,733,898.72	85,356,600.00
Other current liabilities		
Total current liabilities	1,449,793,770.72	1,794,896,108.70
Non-current liabilities:		
Long-term borrowings	9,904,645.59	97,550,400.00
Long-term payables	220,000.00	9,735,560.00
Long-term payroll payables	80,360,457.97	23,883,400.00
Specific payables		
Estimated liabilities		
Deferred income	67,057,221.40	62,893,100.81
Deferred income tax liabilities	2,064,713.02	6,550,014.57
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	161,447,037.98	202,452,475.38
Total liabilities	1,611,240,808.70	1,997,348,584.08
Owners' equity:		
Share capital	955,758,496.00	955,800,496.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1,007,039,561.13	1,000,854,805.66
Less: Treasury stock		
Other comprehensive income	-8,440,178.37	-7,494,320.36
Specific reserves		

Surplus reserves	742,347,832.47	659,538,411.25
Provisions for general risks		
Retained profits	3,892,066,534.32	3,379,354,741.18
Total equity attributable to owners of the Company	6,588,772,245.55	5,988,054,133.73
Minority interests	427,658,339.63	426,545,843.68
Total owners' equity	7,016,430,585.18	6,414,599,977.41
Total liabilities and owners' equity	8,627,671,393.88	8,411,948,561.49

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

Unit: RMB Yuan

Item	31 Dec. 2014	31 Dec. 2013
Current Assets:		
Monetary funds	250,409,717.93	505,709,597.03
Financial assets measured at fair value of which changes are recorded in current profits and losses		25,057,200.00
Derivative financial assets		
Notes receivable	87,341,876.69	93,356,553.66
Accounts receivable	321,897,074.61	265,740,714.49
Accounts paid in advance	193,383,406.51	198,115,786.71
Interest receivable		
Dividend receivable		

Other accounts receivable	28,049,517.79	33,075,155.68
Inventories	1,206,795,514.65	940,892,345.31
Assets held for sale		
Non-current assets due within 1 year		
Other current assets	1,017,648.28	3,711,653.08
Total current assets	2,088,894,756.46	2,065,659,005.96
Non-current assets:		
Available-for-sale financial assets	55,282,600.00	55,282,600.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	1,170,861,572.56	1,046,654,204.88
Investing real estate		
Fixed assets	3,115,567,670.72	2,652,488,993.89
Construction in progress	77,701,863.38	186,973,570.92
Engineering materials	18,626,397.04	9,040,050.06
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	239,561,216.15	229,829,628.31
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	31,683,250.78	35,041,084.44

Other non-current assets	5,406,401.00	5,406,401.00
Total of non-current assets	4,714,690,971.63	4,220,716,533.50
Total assets	6,803,585,728.09	6,286,375,539.46
Current liabilities:		
Short-term borrowings	109,116,402.18	88,638,765.21
Financial liabilities measured at fair value of which changes are recorded in current profits and losses	3,075,000.00	
Derivative financial liabilities		
Notes payable	4,126,949.64	5,474,558.65
Accounts payable	370,179,503.31	211,146,523.67
Accounts received in advance	42,230,252.30	38,413,307.22
Payroll payable	201,779,896.86	279,665,000.40
Tax payable	38,755,976.56	80,282,862.55
Interest payable	401,695.08	681,692.31
Dividend payable	441,456.54	441,966.54
Other accounts payable	22,996,300.29	21,956,228.99
Liabilities held for sale		
Non-current liabilities due within 1 year	100,733,898.72	85,356,600.00
Other current liabilities		
Total current liabilities	893,837,331.48	812,057,505.54
Non-current liabilities:		
Long-term borrowings	9,904,645.59	97,550,400.00
Bonds payable		
Of which: preferred shares		

Perpetual bonds		
Long-term payables		
Long-term payroll payables	80,360,457.97	23,883,400.00
Specific payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		3,758,580.00
Other non-current liabilities	30,469,481.47	31,144,621.51
Total non-current liabilities	120,734,585.03	156,337,001.51
Total liabilities	1,014,571,916.51	968,394,507.05
Owners' equity:		
Share capital	955,758,496.00	955,800,496.00
Other equity instruments		
Of which: preferred shares		
Perpetual bonds		
Capital reserves	1,013,392,242.22	1,007,207,486.75
Less: Treasury stock		
Other comprehensive income		
Specific reserves		
Surplus reserves	742,347,832.47	659,538,411.25
Retained profits	3,077,515,240.89	2,695,434,638.41
Total owners' equity	5,789,013,811.58	5,317,981,032.41
Total liabilities and owners' equity	6,803,585,728.09	6,286,375,539.46

3. Consolidated income statement

Unit: RMB Yuan

Item	2014	2013
I. Total operating revenues	6,169,688,792.53	6,478,245,029.16
Including: Sales income	6,169,688,792.53	6,478,245,029.16
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating costs	5,124,498,428.62	5,342,049,281.27
Including: Cost of sales	4,234,584,418.78	4,481,923,550.99
Taxes and associate charges	48,737,776.54	60,470,269.78
Selling and distribution expenses	178,283,494.87	165,099,751.24
Administrative expenses	634,545,131.08	573,669,402.52
Financial expenses	15,462,783.19	47,216,253.35
Asset impairment loss	12,884,824.16	13,670,053.39
Add: Gain/(loss) from change in fair value (“-” means loss)	-33,255,320.00	11,560,479.00
Gain/(loss) from investment (“-” means loss)	28,055,884.70	22,186,331.30
Including: share of profits in associates and joint ventures		
Foreign exchange gains (“-” means loss)		
III. Business profit (“-” means loss)	1,039,990,928.61	1,169,942,558.19
Add: non-operating income	127,350,434.80	63,735,089.76
Including: Gains on disposal of non-current assets	2,759,790.52	2,499,410.34
Less: non-operating expense	10,366,369.53	9,321,479.73

Including: Losses on disposal of non-current assets	6,075,803.07	2,067,029.87
IV. Total profit (“-” means loss)	1,156,974,993.88	1,224,356,168.22
Less: Income tax expense	177,597,812.31	184,544,355.44
V. Net profit (“-” means loss)	979,377,181.57	1,039,811,812.78
Net profit attributable to owners of the Company	958,725,402.84	999,256,730.65
Minority shareholders’ income	20,651,778.73	40,555,082.13
VI. After-tax net amount of other comprehensive incomes	-945,858.01	-1,451,283.06
After-tax net amount of other comprehensive incomes attributable to owners of the Company	-945,858.01	-1,451,283.06
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses	-945,858.01	-1,451,283.06
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		

5. Foreign-currency financial statement translation difference	-945,858.01	-1,451,283.06
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII. Total comprehensive incomes	978,431,323.56	1,038,360,529.72
Attributable to owners of the Company	957,779,544.83	997,805,447.59
Attributable to minority shareholders	20,651,778.73	40,555,082.13
VIII. Earnings per share		
(I) Basic earnings per share	1.00	1.04
(II) Diluted earnings per share	1.00	1.04

Where business mergers under the same control occurred in this reporting period, the net profit achieved by the merged parties before the business mergers was RMB0, with the corresponding amount for the last period being RMB 0.

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

Unit: RMB Yuan

Item	2014	2013
I. Total sales	4,724,521,057.36	4,797,233,406.20
Less: cost of sales	3,328,499,838.24	3,382,077,517.28
Business taxes and surcharges	35,182,870.07	47,230,004.70
Distribution expenses	78,585,868.37	68,879,718.38
Administrative expenses	460,305,623.93	409,167,648.68

Financial costs	-3,895,674.90	14,634,617.08
Impairment loss	13,182,245.70	10,657,966.63
Add: gain/(loss) from change in fair value (“-” means loss)	-28,132,200.00	6,668,559.00
Gain/(loss) from investment (“-” means loss)	84,276,679.09	18,157,261.30
Including: income form investment on associates and joint ventures		
II. Business profit (“-” means loss)	868,804,765.04	889,411,753.75
Add: non-operating income	85,828,034.74	45,285,184.53
Including: Gains on disposal of non-current assets	2,643,079.05	2,356,933.38
Less: non-operating expense	5,679,483.40	2,497,813.24
Including: Losses on disposal of non-current assets	4,845,033.00	1,147,520.27
III. Total profit (“-” means loss)	948,953,316.38	932,199,125.04
Less: Income tax expense	120,859,104.20	129,558,715.16
IV. Net profit (“-” means loss)	828,094,212.18	802,640,409.88
V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in		

investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	828,094,212.18	802,640,409.88
VII. Earnings per share		
(I) Basic earnings per share	0.87	0.84
(II) Diluted earnings per share	0.87	0.84

5. Consolidated cash flow statement

Unit: RMB Yuan

Item	2014	2013
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	6,188,950,932.05	6,376,623,342.11
Tax refunds received	169,362,368.52	155,809,213.04
Other cash received relating to operating activities	104,846,975.33	82,535,324.13
Subtotal of cash inflows from operating activities	6,463,160,275.90	6,614,967,879.28

Cash paid for goods and services	3,445,428,499.72	3,511,099,185.73
Cash paid to and for employees	1,311,137,432.02	1,165,773,470.20
Various taxes paid	353,432,796.63	267,838,727.12
Other cash payment relating to operating activities	241,066,198.51	216,331,474.64
Subtotal of cash outflows from operating activities	5,351,064,926.88	5,161,042,857.69
Net cash flows from operating activities	1,112,095,349.02	1,453,925,021.59
II. Cash flows from investing activities:		
Cash received from withdrawal of investments		
Cash received from return on investments	120,000.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,105,963.10	8,933,115.91
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	35,492,522.48	27,780,755.86
Subtotal of cash inflows from investing activities	45,718,485.58	36,713,871.77
Cash paid to acquire fixed assets, intangible assets and other long-term assets	756,763,199.57	599,940,279.25
Cash paid for investment		
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	756,763,199.57	599,940,279.25
Net cash flows from investing activities	-711,044,713.99	-563,226,407.48

III. Cash Flows from Financing Activities:		
Cash received from capital contributions	500,000.00	
Including: Cash received from minority shareholder investments by subsidiaries	500,000.00	
Cash received from borrowings	912,000,833.83	1,166,864,324.32
Cash received from issuance of bonds		
Other cash received relating to financing activities	37,814,503.00	130,860,586.78
Subtotal of cash inflows from financing activities	950,315,336.83	1,297,724,911.10
Repayment of borrowings	1,115,523,472.45	1,755,276,871.53
Cash paid for interest expenses and distribution of dividends or profit	407,085,121.99	306,891,349.08
Including: dividends or profit paid by subsidiaries to minority shareholders	20,039,282.78	
Other cash payments relating to financing activities	53,943,820.20	152,147,865.00
Sub-total of cash outflows from financing activities	1,576,552,414.64	2,214,316,085.61
Net cash flows from financing activities	-626,237,077.81	-916,591,174.51
IV. Effect of foreign exchange rate changes on cash and cash equivalents	4,670,735.19	-4,380,149.43
V. Net increase in cash and cash equivalents	-220,515,707.59	-30,272,709.83
Add: Opening balance of cash and cash equivalents	869,909,505.89	900,182,215.72
VI. Closing balance of cash and cash equivalents	649,393,798.30	869,909,505.89

6. Cash flow statement of the Company

Unit: RMB Yuan

Item	2014	2013
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	4,669,563,283.98	4,697,243,606.53
Tax refunds received	134,158,073.18	93,565,010.54
Other cash received relating to operating activities	83,209,985.16	48,096,643.35
Subtotal of cash inflows from operating activities	4,886,931,342.32	4,838,905,260.42
Cash paid for goods and services	2,727,091,114.02	2,705,935,796.58
Cash paid to and for employees	993,656,836.67	887,954,294.25
Various taxes paid	222,404,363.00	156,252,268.65
Other cash payment relating to operating activities	156,501,371.04	127,466,518.65
Subtotal of cash outflows from operating activities	4,099,653,684.73	3,877,608,878.13
Net cash flows from operating activities	787,277,657.59	961,296,382.29
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	9,746,582.62	8,704,961.91
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities	29,462,018.07	21,063,522.96
Subtotal of cash inflows from investing activities	39,208,600.69	29,768,484.87

Cash paid to acquire fixed assets, intangible assets and other long-term assets	565,687,012.76	367,665,824.94
Cash paid for investment	96,483,109.00	
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	662,170,121.76	367,665,824.94
Net cash flows from investing activities	-622,961,521.07	-337,897,340.07
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings	312,748,768.18	444,195,117.59
Cash received from issuance of bonds		
Other cash received relating to financing activities	25,814,503.00	35,410,586.78
Subtotal of cash inflows from financing activities	338,563,271.18	479,605,704.37
Repayment of borrowings	363,070,482.23	857,843,599.93
Cash paid for interest expenses and distribution of dividends or profit	372,691,879.61	279,945,698.42
Other cash payments relating to financing activities	25,943,820.20	20,207,865.00
Sub-total of cash outflows from financing activities	761,706,182.04	1,157,997,163.35
Net cash flows from financing activities	-423,142,910.86	-678,391,458.98
IV. Effect of foreign exchange rate changes on cash and cash equivalents	5,178,804.35	-945,401.08
V. Net increase in cash and cash equivalents	-253,647,969.99	-55,937,817.84
Add: Opening balance of cash and cash equivalents	503,157,687.92	559,095,505.76
VI. Closing balance of cash and cash equivalents	249,509,717.93	503,157,687.92

7. Consolidated statement of changes in owners' equity

2014

Unit: RMB Yuan

Item	2014												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve			Retained profit
	Preferred shares	Perpetual bonds	Other										
I. Balance at the end of the previous year	955,800,496.00				1,000,854,805.66		-7,494,320.36		659,538,411.25		3,379,354,741.18	426,545,843.68	6,414,599,977.41
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	955,800,496.00				1,000,854,805.66		-7,494,320.36		659,538,411.25		3,379,354,741.18	426,545,843.68	6,414,599,977.41
III. Increase/ decrease in the period (“-” means decrease)	-42,000.00				6,184,755.47		-945,858.01		82,809,421.22		512,711,793.14	1,112,495.95	601,830,607.77
(I) Total comprehensive							-945,858.01				958,725,402.84	20,651,778.73	978,431,323.56

incomes													
(II) Capital increased and reduced by owners	-42,000.00				6,184,755.47							20,539,282.79	26,682,038.26
1. Common shares increased by shareholders	-42,000.00				-169,050.00							20,539,282.79	20,328,232.79
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity					6,041,853.38								6,041,853.38
4. Other					311,952.09								311,952.09
(III) Profit distribution								82,809,421.22		-446,013,609.70	-40,078,565.57		-403,282,754.05
1. Appropriations to surplus reserves								82,809,421.22		-82,809,421.22			
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)										-363,204,188.48	-40,078,565.57		-403,282,754.05
4. Other													
(IV) 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													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV. Closing balance	955,758,496.00				1,007,039,561.13	-8,440,178.37		742,347,832.47		3,892,066,534.32	427,658,339.63	7,016,430,585.18	

2013

Unit: RMB Yuan

Item	2013												
	Equity attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve			Retained profit
Preferred shares		Perpetual bonds	Other										
I. Balance at the end of the previous year	1,008,894,800.00				1,230,191,471.42	272,794,496.52	-6,043,037.30		579,274,370.26		2,729,178,150.40	385,990,761.55	5,654,692,019.81

Add: change of accounting policy												
Correction of errors in previous periods												
Business mergers under the same control												
Other												
II. Balance at the beginning of the year	1,008,894,800.00			1,230,191,471.42	272,794,496.52	-6,043,037.30		579,274,370.26		2,729,178,150.40	385,990,761.55	5,654,692,019.81
III. Increase/ decrease in the period (“-” means decrease)	-53,094,304.00			-229,336,665.76	-272,794,496.52	-1,451,283.06		80,264,040.99		650,176,590.78	40,555,082.13	759,907,957.60
(I) Total comprehensive incomes						-1,451,283.06				999,256,730.65	40,555,082.13	1,038,360,529.72
(II) Capital increased and reduced by owners	-53,094,304.00			-229,336,665.76	-272,794,496.52							-9,636,473.24
1. Common shares increased by shareholders	-53,094,304.00			-239,908,057.52	-272,794,496.52							-20,207,865.00
2. Capital increased by holders of other equity instruments												
3. Amounts of				9,347,988.30								9,347,988.30

share-based payments recognized in owners' equity												
4. Other					1,223,403.46							1,223,403.46
(III) Profit distribution								80,264,040.99		-349,080,139.87		-268,816,098.88
1. Appropriations to surplus reserves								80,264,040.99		-80,264,040.99		
2. Appropriations to general risk provisions												
3. Appropriations to owners (or shareholders)										-268,816,098.88		-268,816,098.88
4. Other												
(IV) 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													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV. Closing balance	955,800,496.00				1,000,854,805.66		-7,494,320.36		659,538,411.25		3,379,354,741.18	426,545,843.68	6,414,599,977.41

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

2014

Unit: RMB Yuan

Item	2014										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
I. Balance at the end of the previous year	955,800,496.00				1,007,207,486.75				659,538,411.25	2,695,434,638.41	5,317,981,032.41
Add: change of accounting policy											
Correction of errors in previous periods											

Other											
II. Balance at the beginning of the year	955,800,496.00				1,007,207,486.75				659,538,411.25	2,695,434,638.41	5,317,981,032.41
III. Increase/ decrease in the period (“-” means decrease)	-42,000.00				6,184,755.47				82,809,421.22	382,080,602.48	471,032,779.17
(I) Total comprehensive incomes										828,094,212.18	828,094,212.18
(II) Capital increased and reduced by owners	-42,000.00				6,184,755.47						6,142,755.47
1. Common shares increased by shareholders	-42,000.00				-169,050.00						-211,050.00
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners’ equity					6,041,853.38						6,041,853.38
4. Other					311,952.09						311,952.09
(III) Profit distribution									82,809,421.22	-446,013,609.70	-363,204,188.48
1. Appropriations to surplus reserves									82,809,421.22	-82,809,421.22	
2. Appropriations to owners (or shareholders)										-363,204,188.48	-363,204,188.48
3. Other											
(IV) 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											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV. Closing balance	955,758,496.00				1,013,392,242.22				742,347,832.47	3,077,515,240.89	5,789,013,811.58

2013

Unit: RMB Yuan

Item	2013										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual bonds	Other							
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 in the period (“-” means decrease)	-53,094,304.00				-229,336,665.76	-272,794,496.52			80,264,040.99	453,560,270.01	524,187,837.76
(I) Total comprehensive incomes										802,640,409.88	802,640,409.88
(II) Capital increased and reduced by owners	-53,094,304.00				-229,336,665.76	-272,794,496.52					-9,636,473.24
1. Common shares increased by shareholders	-53,094,304.00				-239,908,057.52	-272,794,496.52					-20,207,865.00
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners’ equity					9,347,988.30						9,347,988.30
4. Other					1,223,403.46						1,223,403.46
(III) Profit distribution									80,264,040.99	-349,080,139.87	-268,816,098.88
1. Appropriations to surplus reserves									80,264,040.99	-80,264,040.99	
2. Appropriations to owners (or shareholders)										-268,816,098.88	-268,816,098.88
3. Other											
(IV) 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											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV. Closing balance	955,800,496.00				1,007,207,486.75				659,538,411.25	2,695,434,638.41	5,317,981,032.41

III. Company Profile

Lu Thai Textile Co., Ltd. (hereinafter referred to as the Company) is a joint venture invested by Zibo Lucheng Textile Investment Co., Ltd (originally named Zibo Lucheng Textile Co., Ltd, hereinafter referred to as Lucheng Textile) and Thailand Tailun Textile Co., Ltd. On Feb. 3, 1993, the Company is approved by the former Ministry of Foreign Trade and Economy of the State (1993) in WJMZEHZ No. 59 to convert into a joint-stock enterprise. Zibo Administration for Industry and Commerce issued the Company corporate business license with the registration No. of QGLZZZ No. 000066. In July 1997, the Company is approved by the Securities Committee of the Department of the State in the ZWF (1997) No. 47 to issue 80 million shares of domestically listed foreign share (B-shares) at the price of RMB 1.00 per share. Upon approved by Shenzhen Stock Exchange with No. (1997) 296 Listing Notice, the Company is listed on the Shenzhen Stock Exchange on August 19, 1997 with B-shares stock code of 200726. On November 24, 2000, approved by ZJGSZ [2000] No.199 by CSRC, the Company increased publication of 50 million shares of general share (A-shares) at the book value of RMB 1.00, which are listed on the Shenzhen Stock Exchange on December 25, 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice. As approved by 2000 Shareholders' General Meeting in May, 2001, the Company carried out the distribution plan that 10 shares of capital public reserve are converted to 3 more shares for each 10 shares. As approved by Resolutions of 2001 Shareholders' General Meeting in June 2002, the Company implemented the distribution plan that 10 shares of capital public reserve are converted 3 more shares for each 10 shares again. As approved by 2002 Shareholders' General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees' shared increased to 40.56 million shares. As examined and approved by ZJGSZ No. [2000] 199 of CSRC, the inner employees' shares will start circulation 3 years later since listing on the A-share market. On Dec. 25, 2003, the inner employees' shares reach 3 years since listing on the A-share stock market, and they set out circulation on Dec.26, 2003. As approved by the Shareholders' General Meeting 2006 held in June 2007, the Company implemented the plan on converting 10 shares to all its shareholders with capital reserves for every 10 shares. After capitalization, the registered capital of the Company was RMB 844.8648 million. The Company, in accordance with the official reply on approving Lu Thai Textile Co., Ltd. to issue additional shares (ZJXK [2008] No. 890 document) from CSRC, issued the Renminbi common shares (A shares) amounting to 150 million shares on 8 Dec. 2008. According to the relevant resolution of the 2nd Special Shareholders' General Meeting for 2011, the relevant resolution of the 15th Session of the 6th Board of Directors, the Opinion of China Securities Regulatory Commission on the Restricted Share Incentive Plan of Lu Thai Textile Co., Ltd. (Shang-Shi-Bu-Han [2011] No. 206), the Company applied for a registered capital increment of RMB 14.09 million, which was contributed by restricted share incentive receivers with monetary funds. In accordance with the resolution of Proposal on Repurchasing and Canceling Partial Restricted Shares already Granted for the Original Incentive Targets not Reaching the Incentive Conditions made at the 23rd Session of the 6th Board of Directors on 13 Aug. 2012, the Company canceling a total of 60,000.00 shares already granted for the original incentive targets not reaching the incentive conditions. According to the second temporary resolution of Proposal on counter purchase of part of the domestic listed foreign share (B share) on 25 Jun. 2012, the Company counter purchase domestic listed foreign share (B share) 48,837,300 shares. According to the Proposal on Repurchase and Cancel Part of Unlocked Restricted Share of the Original Incentive Personnel not Conforming to the Incentive Condition, Proposal on Repurchase and Cancel unlocked Restricted Share in Second Unlocked Period of all the Incentive Personnel reviewed and approved by the 26th meeting of 6th session of the board of the directors on 27 Mar. 2013, the Company repurchase and cancel 4,257,000 shares owned by original people whom to motivate. According to the Proposal on Repurchase and Write-off of Partly of the Original Incentive Targets Not Met with the Incentive Conditions but Granted Restricted Shares approved on the 11th

Session of the 7th Board of Directors on 11 Jun. 2014, to execute repurchase and write-off of the whole granted shares of 42,000 shares of the original incentive targets not met with the incentive targets of the Company. Up to 31 Dec. 2014, the registered capital of the Company was of RMB 955.7585 million.

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 as well as the construction and management of the purified water projects.

The Company's financial statements have been approved for issue by the Board of Directors of the Company on 28 Mar. 2015.

There were 14 subsidiaries included into the consolidation scope of the Company in 2014, and for the details, please refer to Notes IX. Equities among Other Entities. There were 4 subsidiaries increased of 2014 in the consolidation scope over the last year, and please refer to Notes VIII. Changes in Consolidation Scope for details.

IV. Basis for the preparation of financial statements

1. Preparation basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 Feb. 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Group adopted the accrual basis in accounting. Except for some financial instruments, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

V. Important accounting policies and estimations

Indication of specific accounting policies and estimations:

The Company and each subsidiary mainly engage in the production and operation of textile products. The Company and each subsidiary according to the actual production and operation characteristics and the regulations of the relevant ASBE, formulated certain specific accounting policies and accounting estimates of the transactions and events such as recognizing the revenues, and please refer to each description of Notes V. for details. For the notes of the significant accounting adjustment and estimates made by the management layer, please refer to the Significant Accounting Adjustment and Estimates.

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

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business

Enterprises, which factually and completely present the Company's, and the Company's financial positions as at 31 Dec. 2014, business results and cash flows for the year of 2014, and other relevant information. In addition, the Company's and the Company's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

2. Fiscal period

The Company's fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year. The Company's fiscal year starts on 1 Jan. and ends on 31 Dec. of every year according to the Gregorian calendar.

3. Operating cycle

② Held-to-maturity investment

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

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

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

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Company including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative

amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

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

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

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

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

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Company has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term “continuous involvement in the transferred financial asset” refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Company needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

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

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

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

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

② Other financial liabilities

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

4. Recording currency

Renminbi (RMB) is the prevailing currency used in the main economic circumstances of the Company and its domestic subsidiaries. The Company and its domestic subsidiaries adopt RMB as the recording currency. When preparing the financial statements for the reporting period, the Company adopted RMB as the recording currency.

5. Accounting treatment methods for business combinations under the same control or not under the same control

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

(1) Business combinations under the same control

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

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

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

(2) Business combinations not under the same control

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

For a business combination not under the same control, the combination costs shall include the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The involved contingent consideration shall be recorded into the combination costs at its fair value on the acquiring date. Where new or

further evidences emerge, within 12 months since the acquiring date, against the existing circumstances on the acquiring date and the contingent consideration thus needs to be adjusted, the combined goodwill shall be adjusted accordingly. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Where the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

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

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the “package deal” (see note 4, 4 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and note 4, 10 “long term equity investment transaction” and conduct accounting treatment, those not belong to the "package deal" distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

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

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

6. Methods for preparing consolidated financial statements

(1) Principle for determining the consolidation scope

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

subsidiaries. A subsidiary is an enterprise or entity controlled by the Company.

(2) Methods for preparing the consolidated financial statements

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

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

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

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

Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Company according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Company's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No.2 Accounting Standard for Business Enterprises—Long-term Equity Investments or the No.22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see note IV, 13 "long term equity investment" or 9 "financial instruments".

Where the Company losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group losses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of

each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see note IV 13, (2) ④) and “Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Company losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the lose of control, when the Company losing control on its subsidiary.

7. Recognition standard for cash and cash equivalents

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

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

(1) Accounting treatments for translation of foreign currency transactions

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

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

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the exchange difference arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs; ② the exchange difference arising from the hedging instruments used for effective hedging of net overseas operation investments shall be recorded into other comprehensive incomes, and shall be recognized into current gains and losses when the net investments are disposed; and ③ the exchange difference arising from change in the book balance of foreign currency monetary items available for sale except the amortized costs shall be recorded into other comprehensive gains and losses.

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

(3) Translation of foreign currency financial statements

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

The foreign currency financial statement of overseas business should be translated in to RMB financial statement by the following

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

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

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

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

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

9. Financial instruments

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract. Financial assets and liabilities are measured at fair value in initial recognition. As for the financial assets and liabilities measured at fair value of which changes are recorded into current gains and losses, the relevant dealing expenses are directly recorded into gains and losses; and the dealing expenses on other kinds of financial assets and liabilities are included in the amounts initially recognized.

(1) Determination of the fair value of main financial assets and financial liabilities

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques, including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc., to determine its fair value.

(2) Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. Financial assets shall be classified into the following four categories when they are initially recognized: (a) the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the

current period, (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

① The financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

Including transactional financial assets and the financial assets which are designated to be measured at their fair value when they are initially recognized and of which the variation is recorded into the profits and losses of the current period;

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

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

② Held-to-maturity investment

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

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

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

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account) and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Company including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current

period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Company assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

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

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The

impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

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

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Company has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Company neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Company needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

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

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

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

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

② Other financial liabilities

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

(6) De-recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) Offsetting financial assets and financial liabilities

When the Company has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Group not recognized the changes of the fair value of the equity instrument. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Company does not recognize any changes in the fair value of equity instruments.

10. Receivables

(1) Accounts receivable with significant single amount for which the bad debt provision is made individually

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

(2) Accounts receivable which the bad debt provision is withdrawn by credit risk characteristics

Name of portfolios	Bad debt provision method
Aging group	Aging analysis method

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

Applicable Inapplicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	30.00%	30.00%

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

Applicable 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	Receivables have dispute with the other parties or involving lawsuit and arbitration; receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.
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Withdrawal method for bad debt provision	The Company made independent impairment test on receivables with insignificant amount but with the following characteristics, if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts.
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11. Inventory

(1) Classification

Inventories mainly include raw materials, work-in-progress and self-made semi-manufactured goods, revolving materials, finished products as well as stock products etc.

(2) Valuation method of inventories acquiring and issuing

The inventories should be measured by the actual cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other cost. Bulk chemical raw materials, work-in-progress goods and finished products should be measured by the actual cost and should carry forward the cost by weighted average method when issuing; auxiliary materials, packing materials should be measured by actual cost and adopt the planned cost for accounting as well as included the difference between the actual cost and the planned cost into the material cost variance and according the material cost variance rate, work out the material cost variance which should be shared at the end of the month, and to adjust the planned cost that had issued the materials as the actual cost; low priced and easily worn articles should be recorded by actual cost and should adopt the one-time amortization method for accounting when consuming.

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

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

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

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

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

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

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

12. Long-term equity investments

The long-term equity investments of this part refer to the long-term equity investments that the Company has control, joint control or significant influence over the investees. The long-term equity investment that the Company does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the accounting policies to “financial instrument”.

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Company and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus. Significant influence refers to the power of the Company which could anticipate in the finance and the operation policies of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner's equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into the combination of the enterprises under the same control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence; 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 investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Company, the fair value of equity securities issued by the Company, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost.

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for 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 attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees is not accord with that of the Company, should be adjusted according to the accounting policies of the Company and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Company and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Company to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference

between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The Company shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Company has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Company shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Company before the first execution of the new accounting criterion on 1 Jan. 2007 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

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

④ Disposal of long-term equity investment

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

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

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

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

For those the Company lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the

recognition and measurement standards of financial instrument before the Company acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Company lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owing to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Company respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

13. Fixed assets

(1) Conditions for recognition

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

(2) Depreciation methods

The Company 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 and annual depreciation rate of each fixed assets are as below:

Category of fixed assets	Method	Useful life (Year)	Salvage value (%)	Annual deprecation (%)
Housing and building	Average method of useful life	5-30	5-10	3.00-19.00
Machinery equipments	Average method of	10-18	5-10	5.00-9.50

	useful life			
Transportation vehicle	Average method of useful life	5	5-10	19.00-18.00
Electronic equipments and others	Average method of useful life	5	5-10	19.00-18.00

Net Salvage is refer to the assumption of fix assets estimated service life is full and is in the estimated state that the service life is in the end, the Group. The group currently obtained amount from the disposal amount after deducting the estimated disposal expense.

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

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

14. Construction in progress

Construction in process is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization before the fixed assets being ready for their intended use and other relevant costs. Construction in process is transferred to fixed assets when the assets are ready for their intended use.

See the details of the impairment test method of the impairment provision withdrawal method of the construction in progress to "Long-term assets impairment".

15. 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. When the borrowing costs can be directly attributable to the construction or production of assets eligible for capitalization, and the asset disbursements or the borrowing costs have already incurred, and the construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, the capitalization of borrowing costs begins. When the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recognized as expenses when incurred.

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.

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.

16. Biological assets

(1) Consumptive biological assets

Consumptive biological assets refer to the biological assets held for sale or to be harvested as agricultural products in future, including crops, vegetables under growing, timber production forest and domestic animals for sale. The consumptive biological assets shall be measured based on cost. All costs for planting, creating, cultivating or raising of consumptive biological assets shall be the necessary expenses directly added to such assets that accrued before harvest, including any loan that satisfies capitalization conditions. The subsequent expenses for keeping and feeding the consumptive biological assets after harvest should be recognized as the losses and gains of the current period.

Upon harvest or sale, the cost of consumptive biological assets shall be based on its book value through weighted average.

On the date of Balance Sheet, the consumptive biological assets shall be measured with lower of cost and net realizable value, and the method for confirming the reserve for inventory price drop shall be adopted to confirm the reserve for price drop of consumptive biological assets. If the impacts of depreciation disappear, the depreciation amount shall be recovered, and the reserve for price drop originally accrued shall be reversed. Such amount reversed shall be recognized as loss and gain for the current period.

If consumptive biological assets change its usage to be as productive biological assets, the cost after such change shall be confirmed based on the book value when the usage is changed. If consumptive biological assets are changed as public biological assets, depreciation shall be taken into consideration pursuant to Corporate Accounting Rules No.8 – Assets Depreciation. When depreciation occur, accrued the depreciation reserve first and then confirm based on the book value after such accrual.

(2) Productive biological assets

Productive biological assets refer to agricultural products produced, and biological assets held for labor provision or lease, including economic forest, firewood forest, productive animals and labor animals. The productive biological assets shall be measured based on cost. All costs for creating or fostering productive biological assets shall be the necessary expenses directly added to such assets that accrued before it reaches expected production purpose, including any loan that satisfies capitalization conditions.

The Company shall withdraw the depreciation of the productive biological assets by adopting the straight-line method since the second month of its useful life. Useful life, expected net salvage value and annual depreciation rate of each productive biological assets are as below:

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

The Company shall review the service life, expected net residuals and depreciation method of the productive biological assets at least by the end of the year. In case of any change, it shall be deemed as accounting estimate change.

The difference between proceedings from disposal (sale, loss, death or damage) of the productive biological assets deducted by book value and related tax shall be recognized as loss and gain for the current period.

The Company shall check on the date of Balance Sheet whether there is a depreciation sign for the productive biological assets. If yes, estimate the recoverable amount. Such recoverable amount shall be estimated based on single asset item. If it is difficult, the recoverable amount of the portfolio shall be confirmed based on the portfolio such assets belong to. If the recoverable amount of the assets is lower than book value, reserve for asset depreciation shall be accrued based on such difference, and recognized as loss and gain for the current period.

The above assets impairment losses once be recognized, should not be reversed during the accounting periods afterwards.

If the productive biological assets changed the usage as the consumptive biological assets, the cost after the change should be

recognized as the book value when changing the usage; of the productive biological assets changed the usage as non-profit living assets, should be recognized according to the book value after the withdrawal of the impairment provision in accord with the regulation of No. ASBE-Assets Impairment for considering whether there was impairment and should withdraw the impairment provision in ahead of it.

17. Intangible assets

(1) Pricing method, useful life and impairment test

The term "intangible asset" refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape.

The intangible assets shall be initially measured according to its cost. The costs related with the intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded into the costs of intangible assets; otherwise, it shall be recorded into current profits and losses upon the occurrence.

The use right of land gained is usually measured as intangible assets. For the self-developed and constructed factories and other constructions, the related expenditures on use right of land and construction costs shall be respectively measured as intangible assets and fixed assets. For the purchased houses and buildings, the related payment shall be distributed into the payment for use right of land and the payment for buildings, if it is difficult to be distributed, the whole payment shall be treated as fixed assets.

For intangible assets with a finite service life, from the time when it is available for use, the cost after deducting the sum of the expected salvage value and the accumulated impairment provision shall be amortized by straight line method during the service life. While the intangible assets without certain service life shall not be amortized.

At the end of period, the Company shall check the service life and amortization method of intangible assets with finite service life, if there is any change, it shall be regarded as a change of the accounting estimates. Besides, the Company shall check the service life of intangible assets without certain service life, if there is any evidence showing that the period of intangible assets to bring the economic benefits to the enterprise can be prospected, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life.

(2) Accounting polices of internal R & D expenses

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

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

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

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

As for expenses that can't be identified as research expenditures or development expenditures, the occurred R & D expenses shall be

all included in current profits and losses.

18. Impairment of long-term assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Company should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

19. Amortization method of long-term deferred expenses

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

20. Payroll

(1) Accounting treatment of short-term compensation

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

(2) Accounting treatment of the welfare after demission

Welfare after demission mainly includes setting drawing plan. Of which setting the drawing plan mainly includes basic endowment insurance, unemployment insurance and annuity etc, and the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

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

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

21. Share-based payment

(1) Accounting treatment of share-based payment

Share-based payment refers to the transaction in order to require the service offered by the employees and other parties that grants the equity instruments or responsible for the liabilities recognized on the basis of the equity instruments. Share-based payment divided into equity-settled share-based payment and cash-settled share-based payment.

① Equity-settled share-based payment

It is a share-based payment settled by equity used for exchange the service offered by the staffs and be measured by the fair value on the grant date of granting the equity instrument for the staffs. When the services are fully rendered during vesting period or specified performance targets are met, based on the best estimate of the number of the vesting equity instruments during vesting period and according to the straight-line method to calculate and to include into the relevant cost or expenses/when using the vesting power immediately after the granting, should include the relevant cost or expenses on the grant date and correspondingly increase the capital reserve.

On each balance sheet date within the vesting period, the Company makes the best estimate base on the subsequent information newly required such as the changes of the vesting staffs' number to modify the number of the estimated vesting equity instrument. The above influences of the estimation should be included into the current relevant cost or expenses and correspondingly adjust the capital surplus.

For equity-settled share-based payment made in return of other parties' services and the fair value of the other parties' services can be reliably measured, it will be measured based on the fair value of the other parties' services on the date of grant; if the fair value of the other parties' services cannot be reliably measured but the fair value of equity instruments can be reliably measured, it will be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

② Cash-settled share-based payment

The cash-settled share-based payment should be measured according to the fair value of the liabilities recognized based on the shares or other equity instrument undertaken by the Company. For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

On each balance sheet date and the settlement date before the settlement of the relevant liabilities, the Company should re-measure the fair value of the liabilities and its changes should be included in the current gains and losses.

(2) Relevant accounting treatment about revision and termination of share-based payment plans

As to the revision on the share-based payment plan made by the Company, 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 Company p cancel partial or total granted equity instrument.

During the vesting period, if the Company cancels the granted equity instrument, the Company 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 Company.

22. Revenue**(1) Selling products**

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

(2) Providing labor services

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

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

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

Where a contract or agreement signed between Company and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

(3) Royalty revenue

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

(4) Interest revenue

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's

monetary fund is used by others and the agreed interest rate.

23. Government subsidies

(1) Judgment basis and accounting treatment of government subsidies related to assets

Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income. The Company defines the acquisition of government subsidy of long term assets using in construction or formed in other ways as government subsidiary related to income. If the government document not clearly regulate the subsidy acquirees then adopt the following method to divide the government subsidy into government subsidy related to income and government subsidy related to assets; (1) If the government document clearly regulate the specific project, according to the budget project will form the spending amount of assets and the cost included of spending amount ratio to divide, and division ratio shall be reexamine in every balance sheet date, renew if necessary. (2) The usage in government documents is for general description only, for which do not identify a particular project, consider as government subsidy related to income.

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.

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

Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income and the rest should be recognized as the government subsidy related to the revenue. The Company defines the acquisition of government subsidy of long term assets using in construction or formed in other ways as government subsidiary related to income. If the government document not clearly regulate the subsidy acquirees then adopt the following method to divide the government subsidy into government subsidy related to income and government subsidy related to assets; (1) If the government document clearly regulate the specific project, according to the budget project will form the spending amount of assets and the cost included of spending amount ratio to divide, and division ratio shall be reexamine in every balance sheet date, renew if necessary. (2) The usage in government documents is for general description only, for which do not identify a particular project, consider as government subsidy related to income.

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.

When it is necessary to refund any government subsidy which has been recognized, 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; and if there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

24. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

On the balance sheet date, for the current income tax liabilities (or assets) of the current period as well as the part formed during the previous period, should be measured by the income tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of 2014 which in accord to the relevant regulations of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities and their tax assessment basis, as well as the temporary difference occurs from the difference between the book value of the items which not be recognized as assets and liabilities but could confirm their tax assessment basis according to the regulations of the tax law, the deferred income tax assets and the deferred income tax liabilities should be recognized by adopting liabilities law of the balance sheet.

No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets is recognized for the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises, and the investing enterprise can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the excepted future. Otherwise, the Group should recognize the deferred income tax liabilities arising form other taxable temporary difference.

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

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

25. Lease

(1) Accounting treatment of operating lease

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

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

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

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

(2) Accounting treatments of financial lease

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

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

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

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

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance

through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

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

26. Significant accounting judgments and estimates

Due to the internal uncertainty of operating activities, the Company needs to make judgments, estimates and assumptions for carrying amounts of statement items that can't be measured accurately during the process of applying accounting policies. Such judgments, estimates and assumptions are made on the basis of the past experience of Company's management staffs and on the consideration of other relevant factors. Such judgments, estimates and assumptions have effect on reporting amount of incomes, expense, assets and liabilities, as well as disclosure of contingent liabilities on the balance sheet date. However, the uncertainty of such estimates may results in major adjustments of carrying amounts of assets or liabilities that will be influenced in future.

The Company shall have a check on the aforesaid judgments, estimates and assumptions at fixed intervals on the basis of sustainable operation. As for the change in accounting estimates that only effects on the current period of the change, the affected amount thereof shall be recognized at current period of the change. As for accounting estimates that effects on both the current period of the change and future periods, the affected amount thereof shall be recognized at current period of the change and future periods.

On balance sheet date, major fields requiring judgments, estimates and assumptions on amounts of financial statement items by the Company are as follows:

(1) Classification of leases

In line with rules in Accounting Standards for Enterprises No. 21 – Leases, the Company classifies leases into operating leases and finance leases. Upon the classification, the management staffs need to make analysis and judgments on whether to essentially transfer all risks and remuneration relating to the ownership of leased-out assets to the lessee, or whether the Company has essentially undertaken all risks and remuneration relating to the ownership of leased-in assets.

(2) Withdrawal of bad debt provisions

The Company shall, in accordance with accounting policies of receivables, calculate bad debt provisions by adopting allowance method. Impairment of accounts receivable is based on the assessment of the recovery of accounts receivable. Identification of impairment of accounts receivable requires judgments and estimates by management staffs. The difference between actual outcomes and originally estimated outcomes, which will influence the carrying amount of accounts receivable and bad debt provisions thereof in the estimated period of the change, shall be withdrawn or reversed.

(3) Inventory depreciation reserves

The Company shall calculate whichever is lower between the cost and realizable net value in light of inventory accounting policies. As for inventories of which the cost is higher than the realizable net value and inventories which are obsolete and unsalable inventory depreciation reserves shall be withdrawn. Impairment of inventories to realizable net value is based on the assessment of the marketing of inventories and realizable net value thereof. Identification of inventory impairment requires well-established evidences by management staffs, as well as judgments and estimates based on consideration of the purpose of holding inventories and other factors such as events occurring after the date of balance sheet. The difference between actual outcomes and originally estimated outcomes, which will influence the carrying amount of inventories and inventory depreciation reserves in the estimated period of the change, shall be withdrawn or reversed.

(4) Fair values of financial instruments

As for financial instruments not existing in active trading market, the Company shall determine their fair values by all kinds of assessment methods, which include model analysis of discounted cash flow and etc. During the assessment, the Company needs to

assess for respects such as future cash flows, credit risks, market volatility, correlation, and choose appropriate discount rate. Such related assumptions have uncertainty, of which the change will effect on fair values of financial instruments.

(5) Impairment of financial assets available for sale

To a large extent, whether the impairment of financial assets available for sale is recognized or not relies on the judgments and assumptions of the management staffs. In that way, the Company shall be certain about whether to recognize impairment losses of financial assets available for sale in the profit statement. During the process of making judgments and assumptions, the Company needs to evaluate how much the fair value of such investment is less than its cost, how long such investment will last, and the financial condition and short-term business outlook of the invested parties, which include industry status, technology transform, credit rating, default rate and risks from the opposite parties.

(6) Impairment provisions of non-financial non-current assets

The Company shall judge whether there is sign of impairment of non-current assets other than financial assets on balance sheet date. Intangible assets with uncertain service lives, besides being conducted with annual impairment test every year, have to accept impairment tests when there is sign of impairment. Other non-current assets except for financial assets have to accept impairment tests when there is sign indicating the carrying amount thereof is unrecoverable.

When the carrying amounts of the asset or group assets are higher than the recoverable amounts, namely whichever is higher between the net amount through deducting disposal charges from the fair value and the present value of the estimated future cash flow, impairment occurs.

The net amount of the fair value of an asset minus the disposal expenses shall be determined in light of the amount of the basis of the price as stipulated in the sales agreement or the observable market price in the fair transaction minus the incremental cost directly subject to the disposal of the asset.

When estimating present value of future cash flows, it is necessary to make significant judgments on characters of the asset or asset group, such as output, sales price, related operating costs, and discount used to calculate the present value. When estimating recoverable amount, the Company shall adopt all relevant materials that can be required, including estimates relating to output, sales price and relevant operating costs judged by rational and supportable assumptions.

The Company tests whether there is impairment of good will at least for every year, which requires itself to estimate the present value of the future cash flow of group assets or combination of group assets. When estimating the present value of the future cash flow, the Company needs to estimate the cash flow arising from future group assets or combination of group assets, and at the same time choose appropriate discount rate to determine the present value of the future cash flow.

(7) Depreciation and amortization

Upon consideration on the salvage value of investment real estates, fixed assets and intangible assets, the Company shall withdraw depreciation and amortization by straight-line method over their service lives. The Company checks on service lives at fixed intervals, so as to determine the amounts of depreciation expenses and amortization expenses at each period. Service lives are confirmed in accordance with the past experience on similar assets of the Company, along with renewed technology of expectation. If any significant change occurred to previous estimated, depreciation expenses and amortization expenses will be adjusted in future period.

(8) Development expenditure

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

(9) Deferred income tax assets

In a limit providing large possibility of offset losses from sufficient taxable profits, the Group shall recognize deferred income tax assets in line with all unused tax losses, which requires management staffs of the Group to estimate the time when future taxable profits occurs and the amount thereof by applying plenty of judgments and combining tax planning strategies, so as to determine the amount of the recognizable deferred income tax assets.

(10) Income taxes

There's certain uncertainty of disposal and calculation of taxes of partial transactions in normal operating activities. It is uncertain whether some pre-taxed items can set aside the approvals by tax authorities or not. If there are differences between the ultimate recognition outcomes and the originally estimated amounts of such tax issues, then such differences shall effect on the current income tax and deferred income tax during the ultimate recognition period.

27. Changes in main accounting policies and estimates**(1) Change of accounting policies**

Applicable Inapplicable

(1) Alteration of the accounting polices

Alteration of the accounting polices led by executing the new ASBE

At the year-begin of 2014, the Ministry of Finance issued No. 39 of ASBE—Fair Value Measurement, No. 30 of ASBE—Presentation of Financial Statements (revised in 2014), No. 9 of ASBE—Employee Compensation (revised in 2014), No. 33 of ASBE—Consolidation Financial Statement (revised in 2014). No. 40 of ASBE—Joint Venture Arrangement, No. 2 of ASBE—Long-term Investment (revised in 2014) and No. 41 of ASBE—Equity Disclosure of Other Entities which respectively by C-H [2014] No.6, No. 7, No. 8, No. 10, No. 11, No. 14 and No. 16 which be required to execute among the enterprises that applied the ASBE since 1 Jul. 2014 as well as encouraged the enterprises listed overseas to execute in advance. At the same time, the Ministry of Finance issued No. 37 of ASBE—Presentation of Financial Instruments (revised in 2014) as C-H [2014] No. 23 (hereinafter referred to Presentation Guidelines of Financial Instruments for short), which be required to present the financial instruments according to the requirements of the guidelines in Y2014 and the following period among the financial statement.

Approved by the resolution of the 19th Session of the 7th Board of Directors held by the Company on 38 Mar. 2015, the Company began to execute the above 7 new issued or revised enterprises principles except for the presentation guidelines of financial instruments since 1 Jul. 2014 and began to execute the presentation guidelines of financial instruments when compiling the 2014 financial report and adjusted according to the relative requirements of each guidelines, while the influences on the financial statement items during the current period and the earlier stage of the presentation as well as the amount were as follows:

Name of criterions	Notes of the content and the influences	The affected amount of the relevant financial statement items on 1 Jan. 2014/of Y2013	
		Name of items	Affected amount
No. 2 of ASBE—Long-term Equity Investment	The Group had no joint control or significant influences on the investees before executing the No. 2 of ASBE—Long-term Equity Investment (revised in 2014), and the equity investment which had no quotation in the active market as well as its fair value could be not reliable measured should be measured as long-term equity investment by cost method. After executed the No. 2 of ASBE—Long-term Equity Investment (revised in 2014), the Group measured the equity investment which didn't have joint control or significant influences on the investees and had no quotation in the active market as well as its fair value could not be reliable measured as available-for-sale	Long-term equity investment	-67,442,600.00
		Available-for-sale financial assets	67,442,600.00

	financial assets. The Group executed the accounting treatment of the above changes of accounting policies by retrospective application.		
No. 9 of ASBE-Employee Compensation	Before executing the No. 9 of ASBE-Employee Compensation (rev to the short-term bonus plan into the payroll payable - short-term compensation, and included the bonuses distributed in 2014), the Company included all the bonus distributed to the employees into the payroll payable, while after executed the No. 9 of ASBE-Employee Compensation (revised in 2014), the Company included the bonus distributed accordinged according to the long-term bonus plan into the long-term payroll payable – other long-term employee benefits.	Payroll payable Long-term payroll payable	-23,883,400.00 23,883,400.00
No. 30 of ASBE-Presentation of Financial Statement	No. 30 of ASBE-Presentation of Financial Statement (revised in 2014) had divided the other comprehensive income into two categories: (1) other comprehensive income items which could not be re-classified into gains and losses in afterwards accounting period; (2) other comprehensive income items which could not be re-classified into gains and losses when satisfying the specific conditions in afterwards accounting period and at the same time specify the presentation of the held-to-sold items etc. The Financial Statement had presented according to the criterion and executed corresponding adjustment compared to the presentation of the Annual Financial Statement.		
No. 39 of ASBE-Fair Value Measurement	No. 39 of ASBE-Fair Value Measurement standardized the measurement and disclosure of the fair value. To adopt No. 39 of ASBE-Fair Value Measurement not caused significant influence on the measure of the financial statement items, but had led the enterprises made wider disclosure of the fair value information of the notes of the financial statement. The financial statement had been disclosed according to regulations of the ASBE.		
No. 41 of ASBE-Equity Disclosure of Other Entities	No. 41 of ASBE-Equity Disclosure of Other Entities is adapted to the disclosure of the equity for the enterprises among the subsidiaries, joint venture arrangement, joint operation and structured entities which not included in the consolidation financial statement. To adopt No. 41 of ASBE-Equity Disclosure of Other Entities will lead the enterprises made wider disclosure of the fair value information of the notes of the financial statement. The financial statement had presented according to the ASBE		

	and had made corresponding adjustment on the disclosure of the notes of the comparable annual financial statement.		
No. 33 of ASBE-Consolidation of Financial Statement (revised in 2014)	No. 33 of ASBE-Consolidation of Financial Statement (revised in 2014) similarly stipulated that “the consolidation scope of the Consolidation Financial Statement should be recognized based on the control”, but had revised the definition “control” as “refers to the power of the investors on the investees, which could enjoy the variable returns through participate in the relevant activities of the investees and has the ability to use the power on the investees to influence its return amount”. The criterion after revised required the investees to adjust the investees based on whether the investors control the investees on deliberating all the relevant facts and situations and provided more specific guidance on the judgment problems of the control right. The control right judgment standard stipulated after the revise of the criterion that met with by the subsidiaries which are included in the consolidation scope of the previous years of the Company, the changes of the former would not influence the presentation and disclosure of the financial statement of the Company.		
No. 37 of ASBE—Presentation of Financial Instruments	No. 37 of ASBE—Presentation of Financial Instruments (revised in 2014) increased the regulation about off-set and the disclosure requirements as well as the disclosure requirements of the transfer of the financial assets, and verified the disclosure requirements of the overdue period analysis of the financial assets and liabilities. The financial statement had presented according to the ASBE and had made corresponding adjustment on the disclosure of the notes of the comparable annual financial statement; the changes of the former would not influence the presentation and disclosure of the financial statement of the Company.		

(2) Change of main accounting estimates

Applicable Inapplicable

28. Other

VI. Taxation

1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Calculated the output tax at 17%, 13% of	17%、13%、6%

	taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period.	
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	0%、9%、15%、16.5%、25%

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

Name of taxpaying bodies	Rate of income tax
The Company	15%
Lufeng Weaving & Dyeing Co., Ltd. (hereinafter refer to as "Lufeng Weaving & Dyeing")	15%
Luthai (Hong Kong) Co., Ltd. (hereinafter refer to as "Luthai HongKong")	16.50%
Xinjiang Luthai Harvest Cotton Co., Ltd. ("Xinjiang Lu Thai")	25%
Zibo Luqun Textile Co., Ltd. (hereinafter refer to as "Luqun Textile")	25%
Zibo Xinsheng Power Co., Ltd. hereinafter refer to as "Xinsheng Power")	25%
Zibo Helijie Energy Saving Technology & Services Co., Ltd. (hereinafter referred to as "Helijie")	25%
Beijing Lufeng Sunshine Garments Co., Ltd. (hereinafter referred to as "Lufeng Sunshine")	25%
Beijing Innovative Garment Co., Ltd. (hereinafter referred to as "Beijing Innovative")	25%
Shanghai Luthai Textile & Garments Co., Ltd. (hereinafter referred to as "Shanghai Luthai")	25%
Beijing Luthai Youxian Electronic Commerce Co., Ltd. (hereinafter referred to as "Beijing Youxian")	25%
Xinjiang Lu Thai Textile Co., Ltd. ("Xinjiang Lu Thai Textile")	9%
Lu Thai (Cambodia) Co., Ltd. (hereinafter referred to as "Lu Thai Cambodia")	0%

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.

No. 111 document), enjoy a 15-percent rate for enterprise income tax.

The Company's controlled subsidiary— Lufeng Weaving & Dyeing Co., Ltd., in accordance with the Notice on Confirmation of New High-tech Enterprise for 430 Companies Including Jinan Feshen 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%.

According to the "Announcement of the State Administration of Taxation on Issues of Enterprise Income Tax Concerning In-depth Implementation of the Western Development Strategy" (SAT [2012] No. 12), as well as the "Circular of Xinjiang Uygur Autonomous Region on Tax Policies Concerning Acceleration of the Development of the Textile Industry" (XZF [2010] No. 99), Xinjiang Lu Thai Textile Co., Ltd. ("Xinjiang Lu Thai Textile"), a wholly-funded subsidiary of the Company's controlled subsidiary Xinjiang Lu Thai Fengshou Cotton Co., Ltd. ("Xinjiang Lu Thai"), enjoys a preferential enterprise income tax rate of 15% as an enterprise under the Western Development Strategy. And the local enjoyable tax is exempted for five years, i.e. a preferential enterprise income tax rate of 9% for the five years.

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

3. Other

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

1. Monetary funds

Unit: RMB Yuan

Item	Closing balance	Opening balance
Cash on hand	1,190,565.56	1,205,603.58
Bank deposits	631,971,943.96	806,000,856.42
Other monetary funds	33,131,288.78	65,254,955.00
Total	666,293,798.30	872,461,415.00
Of which total amount of deposited abroad	22,970,300.95	11,351,716.95

Other note:

(1) On 31.Dec. 2014, the Company's monetary capital with restricted ownership was RMB 16,900,000.00, (On 31.Dec. 2013, RMB

2,551,909.11), was the fixed deposit receipt of RMB 16,000,000.00 in order to pledge and obtain short term loan by the Company's subsidiary Xinjiang Lu Thai and the Company's margin deposit for security RMB 900,000.00 of civil construction. (2) On 31.Dec. 2014, the Company's monetary capita of deposited abroad was RMB 22,970,300.95, (On 31.Dec. 2013, RMB 22,970,300.95).

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

Unit: RMB Yuan

Item	Closing balance	Opening balance
Tradable financial assets		29,949,120.00
Derivative financial assets		29,949,120.00
Total		29,949,120.00

Other notes:

3. Notes receivable

(1) Notes receivable listed by category

Unit: RMB Yuan

Item	Closing balance	Opening balance
Bank acceptance bill	21,795,315.09	11,596,632.00
Letter of credit	92,009,162.34	114,509,748.23
Total	113,804,477.43	126,106,380.23

(2) Notes receivable pledged by the Company at the period-end

Unit: RMB Yuan

Item	Amount	Item
Bank acceptance bill	113,837,641.21	
Total	113,837,641.21	

4. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal		Amount	Proportion	Amount	Withdrawal	

				proporti on					proporti on	
Accounts receivable withdrawn bad debt provision according to credit risks characteristics	223,311,549.51	99.42%	11,340,995.41	5.08%	211,970,554.10	295,282,274.37	99.56%	14,847,394.75	5.03%	280,434,879.62
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	1,313,784.00	0.58%	1,313,784.00	100.00%		1,313,784.00	0.44%	1,313,784.00	100.00%	
Total	224,625,333.51	100.00%	12,654,779.41	5.63%	211,970,554.10	296,596,058.37	100.00%	16,161,178.75	5.45%	280,434,879.62

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

Applicable Inapplicable

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

Applicable Inapplicable

Unit: RMB Yuan

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	221,618,776.32	11,080,938.81	5.00%
Subtotal within 1 year	221,618,776.32	11,080,938.81	5.00%
1 to 2 years	1,032,315.86	103,231.59	10.00%
2 to 3 years	413,121.89	82,624.38	20.00%
Over 3 years	247,335.44	74,200.63	30.00%
Total	223,311,549.51	11,340,995.41	5.08%

Notes of the basis of recognizing the group:

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 accrue bad debt provision:

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the reporting period was of RMB -3,502,652.66; the amount of the reversed or collected part during the reporting period was of RMB 000.

(3) The actual write-off accounts receivable

Unit: RMB Yuan

Item	Amount
Actual write-off accounts receivable	3,746.68

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

The total amount of the Company's top 5 of the closing balance of the accounts receivable collected according to the arrears party was RMB 66,964,239.15, 29.81% of the total balance of account receivable at year-end. The relevant total balance of bad debt provision was RMB 3,348,211.96.

5. Prepayment**(1) List by aging analysis:**

Unit: RMB Yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	172,016,638.95	98.37%	134,776,943.70	98.37%
1 to 2 years	1,937,764.69	1.11%	890,583.22	0.65%
2 to 3 years	1,752.14	0.00%	873,229.48	0.64%
Over 3 years	909,777.10	0.52%	463,015.18	0.34%
Total	174,865,932.88	--	137,003,771.58	--

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

The total amount of top 5 of the closing balance of the prepayment collected according to the prepayment target was RMB 99,116,428.21, 56.68% of total balance of prepayment at year-end.

6. Other accounts receivable**(1) Other accounts receivable disclosed by category**

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

Other accounts receivable withdrawn bad debt provision according to credit risk characteristics	71,349,940.05	100.00%	7,971,030.77	11.17%	63,378,909.28	78,468,096.91	100.00%	9,859,686.91	12.57%	68,608,410.00
Total	71,349,940.05	100.00%	7,971,030.77	11.17%	63,378,909.28	78,468,096.91	100.00%	9,859,686.91	12.57%	68,608,410.00

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

Applicable Inapplicable

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

Applicable Inapplicable

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	39,069,492.44	1,953,474.61	5.00%
Subtotal within 1 year	39,069,492.44	1,953,474.61	5.00%
1 to 2 years	16,895,762.61	1,689,576.27	10.00%
2 to 3 years	2,874,255.98	574,851.19	20.00%
Over 3 years	12,510,429.02	3,753,128.70	30.00%
Total	71,349,940.05	7,971,030.77	11.17%

Notes of the basis of recognizing the group:

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 accrue bad debt provision:

Applicable Inapplicable

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the reporting period was of RMB -1,854,826.14; the amount of the reversed or collected part during the reporting period was of RMB 0.00

Unit: RMB Yuan

Item	Amount
Actual write-off other accounts receivable	33,830.00

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

Unit: RMB Yuan

Nature	Closing book balance	Opening book balance
Export taxes refund	11,213,575.08	13,850,714.15
Advance payment	37,058,192.64	35,792,417.97
Pledge and guarantee	8,062,219.86	12,594,146.45
Lending and deposit	4,777,623.60	4,701,523.64
Other	10,238,328.87	11,529,294.70
Total	71,349,940.05	78,468,096.91

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

Unit: RMB Yuan

Name of units	Nature	Closing balance	Aging	Proportion of the total year end balance of the accounts receivable (%)	Closing balance of bad debt provision
Other accounts receivable A	Advance money	15,754,552.97	Within 1 year, 1-2 years,	22.08%	1,394,640.00
Other accounts receivable B	Export taxes refund	8,547,889.48	Within 1 year	11.98%	427,394.47
Other accounts receivable C	advance money for the social security undertake by the individual of the employee	5,830,214.49	Within 1 year	8.17%	291,510.72
Other accounts receivable D	Deposits for wages paid to migrant workers of infrastructure works	2,955,620.10	2 to 3 years, over 3 years	4.14%	881,686.03
Other accounts receivable E	Export tax refunds of the local government	2,665,685.60	Over 3 years	3.74%	799,705.68
Total	--	35,753,962.64	--	50.11%	3,794,936.90

7. Inventory**(1) Category of inventory**

Unit: RMB Yuan

Item	Closing balance	Opening balance
------	-----------------	-----------------

	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	661,246,109.89	1,635,229.99	659,610,879.90	562,233,717.57	1,635,229.99	560,598,487.58
Products in process	478,624,419.09		478,624,419.09	517,364,166.93		517,364,166.93
Inventory goods	636,626,434.14	40,267,108.49	596,359,325.65	586,433,901.43	38,438,856.66	547,995,044.77
Assigned processing products	17,975,757.57		17,975,757.57	19,112,972.03		19,112,972.03
Total	1,794,472,720.69	41,902,338.48	1,752,570,382.21	1,685,144,757.96	40,074,086.65	1,645,070,671.31

(2) Falling price reserves of inventory

Unit: RMB Yuan

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	
Raw materials	1,635,229.99					1,635,229.99
Inventory goods	38,438,856.66	18,132,197.12		16,303,945.29		40,267,108.49
Total	40,074,086.65	18,132,197.12		16,303,945.29		41,902,338.48
Item	Specific basis of withdrawal of falling price reserves of inventory		Reasons for reversal		Reasons for write-off	
Raw materials	The lower one between cost of each item of inventory and its realizable net value.					
Inventory goods	The lower one between cost of each item of inventory and its realizable net value.				Sale in this year	

Notes of inventory:

Due to the quality problem in the garment accessories of partial raw materials, raw yarn and dyed yarn of finished goods and long age of partial shirts and fabric at the year-end, the costs of inventories became higher than the realizable net value, and the Company withdrew the provision for falling price of inventories according to their balance.

(3) Notes of the closing balance of the inventory which includes capitalized borrowing expenses

The closing balance of inventories using for debts guarantee was RMB 159,401,398.00.

8. Other current assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
Prepaid income tax to be deducted	3,658,894.10	3,099,818.60
VAT input tax to be deducted	1,508,430.88	30,930,382.82
Total	5,167,324.98	34,030,201.42

9. Available-for-sale financial assets

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

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	67,442,600.00		67,442,600.00	67,442,600.00		67,442,600.00
Measured by cost	67,442,600.00		67,442,600.00	67,442,600.00		67,442,600.00
Other						
Total	67,442,600.00		67,442,600.00	67,442,600.00		67,442,600.00

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

Unit: RMB Yuan

Investee	Book balance				Impairment provision				Shareholding proportion among the investees	Cash bonus of the reporting period
	Period-begin	Increase	Decrease	Period-end	Period-begin	Increase	Decrease	Period-end		
Zibo Chengshun Heating Co., Ltd. (hereinafter refer to as "Chengshun Heating")	160,000.00			160,000.00					2.00%	120,000.00
Yantai Rongchang Pharmacy Co., Ltd. (hereinafter refer to as "Rongchang Pharmacy")	55,282,600.00			55,282,600.00					5.56%	
Gaoqing Hongqiao Power Co., Ltd. (Hongqiao Power)	12,000,000.00			12,000,000.00					20.68%	
Total	67,442,600.00			67,442,600.00					--	120,000.00

10. Long-term accounts receivable**(1) List of long-term accounts receivable**

Unit: RMB Yuan

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financing lease receivables	6,980,998.00		6,980,998.00				10.54%
Of which: unrealized financing income	901,978.43		901,978.43				
Total	6,980,998.00		6,980,998.00				--

11. Fixed assets**(1) List of fixed assets**

Unit: RMB Yuan

Item	Houses and buildings	Machinery equipment	Electronic equipment	Transportation equipment	Other	Total
1. Opening balance	2,198,512,894.37	5,102,576,851.85	93,055,272.09	68,662,800.93		7,462,807,819.24
2. Increased amount of the period	365,348,694.58	431,297,049.39	12,455,877.81	6,975,501.27		816,077,123.05
(1) Purchase	41,210,174.11	399,472,510.44	10,813,877.81	6,975,501.27		458,472,063.63
(2) Transfer of project under construction	324,138,520.47	31,824,538.95	1,642,000.00			357,605,059.42
3. Decreased amount of the period	13,221,311.62	114,476,673.71	2,381,226.17	7,231,657.15		137,310,868.65
(1) Disposal or Scrap	13,221,311.62	114,476,673.71	2,381,226.17	7,231,657.15		137,310,868.65
4. Closing balance	2,550,640,277.33	5,419,397,227.53	103,129,923.73	68,406,645.05		8,141,574,073.64
1. Opening balance	594,679,596.58	2,275,377,632.62	58,788,067.86	48,245,321.84		2,977,090,618.90
2. Increased amount of the period	72,297,909.25	215,252,717.48	9,463,567.92	6,006,327.39		303,020,522.04
(1) Withdrawal	72,297,909.25	215,252,717.48	9,463,567.92	6,006,327.39		303,020,522.04
3. Decreased amount of the period	2,097,286.02	86,070,121.75	2,111,077.58	6,510,627.32		96,789,112.67
(1) Disposal or Scrap	2,097,286.02	86,070,121.75	2,111,077.58	6,510,627.32		96,789,112.67

4. Closing balance	664,880,219.81	2,404,560,228.35	66,140,558.20	47,741,021.91		3,183,322,028.27
1. Opening balance	4,823,890.00	26,559,526.67	71,283.45	61,235.72		31,515,935.84
2. Increased amount of the period		110,105.84				110,105.84
(1) Withdrawal		110,105.84				110,105.84
3. Decreased amount of the period		4,212,132.94	2,518.82	7,400.59		4,222,052.35
(1) Disposal or Scrap		4,212,132.94	2,518.82	7,400.59		4,222,052.35
4. Closing balance	4,823,890.00	22,457,499.57	68,764.63	53,835.13		27,403,989.33
1. Closing book value	1,880,936,167.52	2,992,379,499.61	36,920,600.90	20,611,788.01		4,930,848,056.04
2. Opening book value	1,599,009,407.79	2,800,639,692.56	34,195,920.78	20,356,243.37		4,454,201,264.50

(2) Fixed assets leased out from operation lease

Unit: RMB Yuan

Item	Closing book value
Houses and buildings	25,858,902.58
Total	25,858,902.58

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

Unit: RMB Yuan

Item	Book value	Reason
Weaving and yarn dyeing workshop	115,835,309.62	Ongoing inspection, surveying, verification to application procedures by Housing authorities
Employee's dormitory building of eastern area of industrial park	29,154,925.64	Same with above
Lufeng weaving dye workshop	144,283,707.10	Same with above
Spinning Fourth factory workshop	73,697,616.72	Same with above
Houses of Junyue Jiayan	31,238,924.11	Same with above

12. Construction in progress**(1) List of construction in progress**

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value

		provision			t provision	
Complex building and employee's dormitory building in western area of Luthai	12,939,182.17		12,939,182.17	103,071,449.41		103,071,449.41
A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project	4,850,066.53		4,850,066.53	47,244,724.21		47,244,724.21
Production line project of 40 million-meter high-grade yarn-dyed				14,514,623.54		14,514,623.54
East sample factory	17,204,613.50		17,204,613.50			
Reformation for Inspection & Finishing Workshop of Finishing Plant I				567,800.07		567,800.07
Factory project of Xinjiang Luthai	423,132.50		423,132.50	8,221,937.23		8,221,937.23
Reform project of Xinsheng Thermal Power	22,032,798.42		22,032,798.42	21,272,428.65		21,272,428.65
Energy conservation project of Helijie	10,301,098.08		10,301,098.08	4,375,845.28		4,375,845.28
Lu Thai (Cambodia) garment project	12,450,194.68		12,450,194.68			
Other small projects	43,384,140.92		43,384,140.92	28,691,025.20		28,691,025.20
Total	123,585,226.80		123,585,226.80	227,959,833.59		227,959,833.59

(2) Changes of significant construction in progress

Unit: RMB Yuan

Name of item	Estimated number	Opening balance	Increased amount of the period	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Proportion estimated of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Complex building and employee's dormitory building in western area of Luthai	106,500,000.00	103,071,449.41	28,993,610.48	119,125,877.72		12,939,182.17	99.00%	99%				Other
A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project	928,660,000.00	47,244,724.21	35,628,329.99	78,022,987.67		4,850,066.53	32.00%	32%				Other
Production line project of 40 million-meter	504,700,000.00	14,514,623.54	21,671,790.42	36,186,413.96			100.00%	100%				Other

high-grade yarn-dyed												
East sample factory	3,0000000.00		17,204,613.50			17,204,613.50	60.70%	60.70%				Other
Reformation for Inspection & Finishing Workshop of Finishing Plant I	9630000.00	567,800.07	1,592,439.46	2,160,239.53			100.00%	100%				Other
Factory project of Xinjiang Luthai	2,5000000.00	8,221,937.23	36,989,407.80	14,678,005.53	30,110,207.00	423,132.50	99.00%	99%				Other
Reform project of Xinsheng Thermal Power	3,0000000.00	21,272,428.65	27,726,891.84	26,966,522.07		22,032,798.42	90.00%	90%				Other
Energy conservation project of Helijie	2,8880000.00	4,375,845.28	23,163,070.26	17,237,817.46		10,301,098.08	95.00%	95%				Other
Lu Thai (Cambodia) garment project	12,3056000		50,390,527.95	37,940,333.27		12,450,194.68	45.00%	45%				Other
Other small projects		28,691,025.20	39,979,977.93	25,286,862.21		43,384,140.92						Other
Total	178,6426000	227,959,833.59	283,340,659.63	357,605,059.42	30,110,207.00	123,585,226.80	--	--				--

13. Engineering material

Unit: RMB Yuan

Item	Closing balance	Opening balance
Specific materials	587,256.00	998,412.00
Specific equipments	19,298,509.41	18,096,070.53
Total	19,885,765.41	19,094,482.53

Other notes:

14. Productive biological assets**(1) Productive biological assets adopted cost measurement mode**

√Applicable □ Inapplicable

Unit: RMB Yuan

Item	Opening balance	Increase				Decrease			Closing balance
		Outsourcing	Self cultivate	Other	Total	Disposal	Other	Total	
I. Total original book value		1,310,500.00			1,310,500.00				1,310,500.00
Livestock		1,310,500.00			1,310,500.00				1,310,500.00
Hu sheep		1,310,500.00			1,310,500.00				1,310,500.00
--	Opening balance	Increase			Decrease			Closing balance	
		Withdraw	Other	Total	Disposal	Other	Total		
Hu sheep									
Hu sheep									
--	Opening book value				Closing book value				
IV. Total book value								1,310,500.00	
Livestock								1,310,500.00	
Hu sheep								1,310,500.00	

(2) Productive biological assets adopted fair value measurement mode

□ Applicable √ Inapplicable

15. Intangible assets

(1) List of intangible assets

Unit: RMB Yuan

Item	Land use right	Patent right	Non-patent right	Other	Total
1. Opening balance	412,561,499.64	1,985,176.47	180,000.00		414,726,676.11
2. Increased amount of the period	32,673,721.80				32,673,721.80
(1) Purchase	32,673,721.80				32,673,721.80
4. Closing balance	445,235,221.44	1,985,176.47	180,000.00		447,400,397.91
1. Opening balance	61,071,372.55	628,639.32	180,000.00		61,880,011.87
2. Increased amount of the period	11,561,520.65	198,517.68			11,760,038.33
(1) Withdrawal	11,561,520.65	198,517.68			11,760,038.33
4. Closing balance	72,632,893.20	827,157.00	180,000.00		73,640,050.20
1. Closing book value	372,602,328.24	1,158,019.47			373,760,347.71
2. Opening book value	351,490,127.09	1,356,537.15			352,846,664.24

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

16. Goodwill

(1) Original book value of goodwill

Unit: RMB Yuan

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
		Formed from the business combination	Other	Dispose	Other	
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

17. Long-term unamortized expenses

Unit: RMB Yuan

Item	Opening balance	Increase	Amortization amount	Decrease	Closing balance
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Land contracting fee of Xinjiang Luthai	1,711,304.99	27,629,406.00	1,021,677.72		28,319,033.27
Total	1,711,304.99	27,629,406.00	1,021,677.72		28,319,033.27

Other notes

18. Deferred income tax assets/deferred income tax liabilities**(1) Deferred income tax assets had not been off-set**

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	80,747,882.90	13,938,629.38	90,424,046.27	15,370,879.82
Internal transaction unrealized internal profit	54,548,472.47	7,895,874.08	62,824,932.08	8,869,783.85
One-time listed decoration expenses	1,924,508.40	288,676.26	10,910,800.14	1,636,620.02
Employee's payroll payable	114,961,700.46	17,941,934.30	140,654,913.13	22,846,774.36
Deferred income	63,445,242.97	9,402,402.82	62,893,100.81	9,433,965.14
Change of fair value of trading financial liabilities	3,306,200.00	495,930.00		
Total	318,934,007.20	49,963,446.84	367,707,792.43	58,158,023.19

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

Unit: RMB Yuan

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	12,513,412.24	2,064,713.02	12,470,585.27	2,057,646.57
Change of fair value of trading financial liabilities			29,949,120.00	4,492,368.00
Total	12,513,412.24	2,064,713.02	42,419,705.27	6,550,014.57

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

Unit: RMB Yuan

Item	Mutual set-off amount of deferred income tax	Amount of deferred income tax assets or	Mutual set-off amount of deferred income tax	Amount of deferred income tax assets or

	assets and liabilities at the period-end	liabilities after off-set at the period-end	assets and liabilities at the period-begin	liabilities after off-set at the period-begin
Deferred income tax assets		49,963,446.84		58,158,023.19
Deferred income tax liabilities		2,064,713.02		6,550,014.57

(4) List of unrecognized deferred income tax assets

Unit: RMB Yuan

Item	Closing amount	Opening amount
Deductible temporary difference	9,184,255.09	7,186,841.88
Deductible losses	86,677,173.05	60,199,158.60
Total	95,861,428.14	67,386,000.48

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

Unit: RMB Yuan

Years	Closing amount	Opening amount	Note
Y2016	9,735,028.99	10,052,636.34	
Y 2017	22,207,758.19	22,210,063.54	
Y 2018	27,926,362.05	27,936,458.72	
Y 2019	26,808,023.82		
Total	86,677,173.05	60,199,158.60	--

19. Other non-current assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
Prepayment for land	16,910,237.34	16,255,736.00
Total	16,910,237.34	16,255,736.00

20. Short-term loans**(1) Category of short-term loans**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Pledge loan	70,000,000.00	

Mortgage loan	288,230,000.00	278,000,000.00
Guaranteed loan		100,000,000.00
Credit loan	159,222,946.24	270,664,954.85
Total	517,452,946.24	648,664,954.85

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

Unit: RMB Yuan

Item	Closing balance	Opening balance
Transaction financial liabilities	3,306,200.00	
Derivative financial liabilities	3,306,200.00	
Total	3,306,200.00	

22. Notes payable

Unit: RMB Yuan

Category	Closing balance	Opening balance
Trade acceptance	7,421,979.09	10,213,263.69
Total	7,421,979.09	10,213,263.69

The total amount of the due but not pay notes payable at the period-end was of RMB 000.

23. Accounts payable

(1) List of accounts payable

Unit: RMB Yuan

Category	Closing balance	Opening balance
Purchase of goods	257,834,663.07	319,226,976.41
Engineering equipments	80,701,856.84	76,440,931.79
Other	5,545,719.25	4,385,771.49
Total	344,082,239.16	400,053,679.69

24. Advance from customers

(1) List of advance from customers

Unit: RMB Yuan

Item	Closing balance	Opening balance
Prepayment for goods	82,176,191.45	100,793,054.81

Total	82,176,191.45	100,793,054.81
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25. Payroll payable

(1) List of Payroll payable

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	347,240,898.02	1,183,936,724.30	1,270,091,236.85	261,086,385.47
III. Termination benefits-defined contribution plans	938,536.97	178,224,552.33	178,710,267.84	452,821.46
Total	348,179,434.99	1,362,161,276.63	1,448,801,504.69	261,539,206.93

(2) List of Short-term salary

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	320,375,971.30	1,020,569,023.47	1,110,423,434.42	230,521,560.35
2. Employee welfare		50,791,953.81	50,791,953.81	
3. Social insurance	182,364.02	66,902,619.96	66,929,191.17	155,792.81
Including: 1. Medical insurance premiums	113,262.87	56,532,314.58	56,555,573.63	90,003.82
Work-related injury insurance	19,435.78	6,083,979.40	6,084,339.06	19,076.12
Maternity insurance	49,665.37	4,286,325.98	4,289,278.48	46,712.87
4. Housing fund	31,533.54	21,387,500.43	21,389,371.35	29,662.62
5. Labor union budget and employee education budget	26,651,029.16	24,285,626.63	20,557,286.10	30,379,369.69
Total	347,240,898.02	1,183,936,724.30	1,270,091,236.85	261,086,385.47

(3) List of drawing scheme

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic endowment insurance	833,452.88	168,855,098.09	169,337,106.11	351,444.86
2. Unemployment	105,084.09	9,369,454.24	9,373,161.73	101,376.60

insurance				
Total	938,536.97	178,224,552.33	178,710,267.84	452,821.46

Other notes:

The Company, in line with the requirement, participate the endowment insurance, unemployment insurance scheme and so on, according to the scheme, the Company monthly pay to the scheme in line with 27% and 1.5% of the endowment insurance base, except the monthly payment, the Company no longer shoulder the further payment obligation, the relevant expense occurred was recorded into current profits and losses or related assets costs.

26. Taxes payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Value-added tax	6,300,150.34	4,631,094.67
Business tax	437,293.48	678,849.06
Corporate income tax	47,179,155.84	47,815,359.19
Personal income tax	1,327,131.46	2,286,186.69
Urban maintenance and construction tax	5,117,786.89	27,968,705.59
Stamp tax	383,843.12	395,320.30
Property tax	4,256,461.03	4,549,007.07
Land use tax	4,556,076.61	2,902,252.57
Education surtax	2,254,623.77	12,022,552.49
Local education surtax	1,503,725.02	8,002,185.98
Local water conservancy facility construction fund	736,158.41	3,996,865.12
Total	74,052,405.97	115,248,378.73

27. Interest payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Interest payable on short-term borrowings and long term borrowings	511,373.44	1,499,475.06
Total	511,373.44	1,499,475.06

28. Dividends payable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Common stock dividends of the Group	441,456.54	441,966.54

Total	441,456.54	441,966.54
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Note: Including significant unpaid dividends payable over one year, the unpaid reason shall be disclosed:

Dividends payables unpaid over one year were the cash dividends of individual shareholders not drawn in previous years.

29. Other accounts payable

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

Unit: RMB Yuan

Item	Closing balance	Opening balance
The deposit and guarantee	18,533,942.00	32,184,959.94
Collecting payment on behalf of others	11,481,319.14	24,816,598.16
Turnover account	10,383,779.31	3,441,300.16
Other	17,676,832.73	24,002,442.08
Total	58,075,873.18	84,445,300.34

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

Unit: RMB Yuan

Item	Closing balance	Unpaid/ Un-carry-over reason
Other account payables A	11,925,000.00	Received deposit of sale contract
Total	11,925,000.00	--

Notes:

30. Non-current liabilities due within 1 year

Unit: RMB Yuan

Item	Closing balance	Opening balance
Long-term loans due within 1 year	100,733,898.72	85,356,600.00
Total	100,733,898.72	85,356,600.00

Notes:

31. Long-term loan**(1) Category of long-term loan**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Guaranteed loans	110,638,544.31	182,907,000.00
Less: Long-term loans due within 1 year	-100,733,898.72	-85,356,600.00
Total	9,904,645.59	97,550,400.00

Notes:

Other notes including interest rate range:

32. Long-term payable**(1) Long-term payable listed by nature of the account**

Unit: RMB Yuan

Item	Closing balance	Opening balance
Power bonds payable	220,000.00	9,735,560.00
Total	220,000.00	9,735,560.00

Notes:

33. Long term payroll payable**(1) List of long term payroll payable**

Unit: RMB Yuan

Item	Closing balance	Opening balance
I. Termination benefits-net liabilities of defined contribution plans		
II. Dismission welfare		
III. Other long term welfare	80,360,457.97	23,883,400.00
Total	80,360,457.97	23,883,400.00

34. Deferred income

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	62,893,100.81	5,435,300.00	2,173,157.84	66,155,242.97	Government subsidies
Unrealized financing incomes		1,035,604.86	133,626.43	901,978.43	Financing lease
Total	62,893,100.81	6,470,904.86	2,306,784.27	67,057,221.40	--

Items involved in government subsidies:

Unit: RMB Yuan

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Land	62,893,100.81	1,945,300.00	1,393,157.84		63,445,242.97	Related to the assets
Equipment		2,400,000.00	780,000.00		1,620,000.00	Related to the assets
Productive biological asset		1,090,000.00			1,090,000.00	Related to the assets
Total	62,893,100.81	5,435,300.00	2,173,157.84		66,155,242.97	--

Notes:

35. Other non-current liabilities

Unit: RMB Yuan

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

Notes:

36. Share capital

Unit: RMB Yuan

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	955,800,496.00				-42,000.00	-42,000.00	955,758,496.00

Notes:

In reporting period, share capital decrease 42,000.00, was in line with the Proposal on Repurchase the Cancellation Part of the

Original Incentive Personnel Not Meeting the Requirements of Incentive Obtained Restricted Shares reviewed and approved by 11th meeting of the 7th Board of Directors on 11 Jun. 2014. Repurchased and canceled all 42,000.00 shares for those personnel not meeting the requirements of incentive. The aforesaid decrease of shares was audited by Ruihua Certified Public Accountants LLP, and issued Capital Verification Report RHYZ [2014] No.37040004.

37. Capital reserves

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	920,142,111.39	28,194,555.00	169,050.00	948,167,616.39
Other capital reserves	80,712,694.27	6,353,805.47	28,194,555.00	58,871,944.74
Total	1,000,854,805.66	34,548,360.47	28,363,605.00	1,007,039,561.13

Other notes, including changes and reason of change:

Note: (1) on 11 Jun. 2014 11th meeting of the 7th Board of Directors reviewed and approved the Proposal on Unlocking Restricted Stock Incentive Plan during the Third Unlocking Period” the proportion of unlocked shares was during the Third Unlocking Period, transfer the “capital reserve-other capital reserve” recognized in waiting period of RMB 28,194,555.00 into “capital reserve- capital premium”.

(2) Capital premium” decrease RMB 169,050.00 in reporting period, was the capital premium decrease of 42,000.00 shares for those personnel not meeting the requirements of incentive.

(3) Other capital reserve increase RMB 6,353,805.47, mainly paid fair value equity instruments of RMB 6,041,853.38 with share settled by equity method.

38. Treasury stock

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
The Company’s shares acquired due to the reduce of registered capital				
The purchased shares due to the repurchasing of the restricted shares that didn’t meet with the unlock conditions		211,050.00	211,050.00	
Total		211,050.00	211,050.00	

Other notes, including changes and reason of change:

39. Other comprehensive income

Unit: RMB Yuan

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

			current period that recognized into other comprehensive income in prior period			r	
II. Other comprehensive income reclassify into profits and losses	-7,494,320.36	-945,858.01			-945,858.01		-8,440,178.37
Converted amount of foreign currency financial statements	-7,494,320.36	-945,858.01			-945,858.01		-8,440,178.37
Total	-7,494,320.36	-945,858.01			-945,858.01		-8,440,178.37

Other notes, including the adjustment of the recognition of initial amount of effective part of the cash flow hedging gains and losses transfer into arbitrated items:

40. Surplus reserves

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	656,196,838.67	82,809,421.22		739,006,259.89
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	659,538,411.25	82,809,421.22		742,347,832.47

Other note, including changes and reason of change

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

41. Retained profits

Unit: RMB Yuan

Item	Amount	Withdrawal or distributed proportion
Opening balance of retained profits before adjustments	3,379,354,741.18	2,729,178,150.40
Opening balance of retained profits after adjustments	3,379,354,741.18	2,729,178,150.40
Add: Net profit attributable to owners of the Company	958,725,402.84	999,256,730.65
Less: Withdrawal of statutory surplus reserves	82,809,421.22	80,264,040.99
Dividend of common stock payable	363,204,188.48	268,816,098.88

Closing retained profits	3,892,066,534.32	3,379,354,741.18
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1) RMB 000 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

2) RMB 000 opening retained profits was affected by changes on accounting policies.

42. Revenue and Cost of Sales

(1) Revenue, Cost of Sales

Unit: RMB Yuan

Item	2014		2013	
	Revenue	Cost	Revenue	Cost
Main operation	5,915,372,574.27	4,086,154,764.14	6,232,682,814.07	4,345,910,353.91
Other operation	254,316,218.26	148,429,654.64	245,562,215.09	136,013,197.08
Total	6,169,688,792.53	4,234,584,418.78	6,478,245,029.16	4,481,923,550.99

43. Business tax and surcharges

Unit: RMB

Item	2014	2013
Business tax	1,543,096.38	1,663,673.26
Urban maintenance and construction tax	25,173,497.57	31,432,589.06
Education surtax	11,069,160.40	13,749,393.24
Local education surtax	7,379,440.32	9,163,149.96
Local water conservancy construction fund	3,572,581.87	4,461,464.26
Total	48,737,776.54	60,470,269.78

44. Sales expenses

Unit: RMB Yuan

Item	2014	2013
Transportation fee	29,390,312.02	30,479,704.75
Salary	52,551,757.68	45,641,556.60
Mall costs	12,103,271.52	15,399,709.19
Advertising expense	19,543,918.94	8,922,434.40
Terminal Handing charges	6,627,616.75	6,999,845.49
Copyright royalty	2,970,940.04	2,922,452.10
Marketing costs of the offices	2,240,056.21	2,532,202.41

Rental charges	3,626,236.55	5,118,444.90
Inspection fee	403,193.10	1,454,868.81
Patent fee	1,547,198.39	1,926,103.82
Other	47,278,993.67	43,702,428.77
Total	178,283,494.87	165,099,751.24

45. Administrative expenses

Unit: RMB Yuan

Item	2014	2013
R&D expenses	289,005,271.10	256,300,403.37
Salary	121,622,670.65	124,998,379.18
Depreciation fee	24,019,467.83	22,510,678.57
Taxes	34,632,666.02	27,743,776.93
Share-based expenses	6,041,853.38	9,347,988.30
Warehouse funding	19,186,460.22	18,142,407.44
Decoration repair expense	2,642,363.69	1,836,851.59
Amortization of intangible assets	10,202,923.93	9,130,679.69
Labor-union expenditure	13,546,133.52	11,714,032.15
Transportation fee	6,269,569.17	5,836,380.11
Rental fee	12,020,178.94	7,921,473.32
Other	95,355,572.63	78,186,351.87
Total	634,545,131.08	573,669,402.52

46. Financial expenses

Unit: RMB Yuan

Item	2014	2013
Interest expenditures	24,513,571.60	41,593,734.00
Less: interest income	7,556,637.78	5,594,424.56
Less: interest capitalization		
Foreign currency exchange gains and losses	-7,989,225.52	3,091,506.36
Less: capitalization of foreign currency exchange gains and losses		
Other	6,495,074.89	8,125,437.55

Total	15,462,783.19	47,216,253.35
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47 Assets impairment losses

Unit: RMB Yuan

Item	2014	2013
I. Bad debt loss	-5,357,478.80	3,534,311.92
II. Inventory falling price loss	18,132,197.12	9,946,368.31
VII. Impairment losses of fixed assets	110,105.84	189,373.16
Total	12,884,824.16	13,670,053.39

48. Gains on the changes in the fair value

Unit: RMB Yuan

Source	Reporting period	Same period of last year
Financial assets calculated by fair value and its changes recorded into current profits and losses	-29,949,120.00	11,560,479.00
Including: gains from the changes in fair value of derivative financial instruments	-29,949,120.00	11,560,479.00
Financial liabilities calculated by fair value and its changes recorded into current profits and losses	-3,306,200.00	
Total	-33,255,320.00	11,560,479.00

49 Investment incomes

Unit: RMB Yuan

Item	2014	2013
Investment income from the disposal of long-term equity investment	27,935,884.70	22,186,331.30
Investment income during the period of the held of available for sale financial assets	120,000.00	
Total	28,055,884.70	22,186,331.30

50. Non-operating gains

Unit: RMB Yuan

Item	2014	2013	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of	2,759,790.52	2,499,410.34	2,759,790.52

non-current assets			
Including: Gains from disposal of fixed assets	2,759,790.52	2,499,410.34	2,759,790.52
Gains from disposal of intangible assets	0.00	0.00	0.00
Gains from debt restructuring	0.00	0.00	0.00
Government grants	99,126,878.52	51,990,074.84	99,126,878.52
Other	25,463,765.76	9,245,604.58	25,463,765.76
Total	127,350,434.80	63,735,089.76	127,350,434.80

Governmental subsidies recorded into the current gains and losses:

Unit: RMB Yuan

Subsidy item	Reporting period	Same period of last year	Related to the assets/ incomes
Subsidy for key project of energy saving	1,000,000.00		Related to the incomes
Special fund for encouraging foreign trade development	200,000.00		Related to the incomes
Special fund for Patent Development	104,000.00		Related to the incomes
Residential building heat metering and energy-saving reform project incentives	3,468,004.00		Related to the incomes
Subsidy for development of new industries	9,000,000.00		Related to the incomes
Subsidy for technical innovation	2,680,000.00		Related to the incomes
The development of science and technology fund	200,000.00		Related to the incomes
Science and technology award of Shandong province	50,000.00		Related to the incomes
Science and technology award of Zibo City	100,000.00		Related to the incomes
The traditional industry upgrade fund	33,660,000.00		Related to the incomes
Special fund for deep integration of informationization and industrialization	600,000.00		Related to the incomes

Special fund for energy conservation and emissions reduction	1,500,000.00		Related to the incomes
College students' employment apprentice incentives	331,200.00	297,600.00	Related to the incomes
Standardized funded project incentives	120,000.00		Related to the incomes
Incentives of Management in the enterprises of Shandong province	100,000.00		Related to the incomes
Special fund for foreign trade development	533,829.00		Related to the incomes
Clean production demonstration project award	6,500,000.00		Related to the incomes
Energy-saving incentive	300,000.00		Related to the incomes
Special funds for project topics project approval	414,000.00		Related to the incomes
Second prize of science and technology incentive	20,000.00		Related to the incomes
Service industry development guide fund	600,000.00		Related to the incomes
Social security subsidy	1,286.82		Related to the incomes
Special fund for patent development	100,000.00		Related to the incomes
Special fund for energy conservation and emission reduction	99,000.00		Related to the incomes
Government financing	17,228,600.00		Related to the incomes
Subsidies of unemployment dynamic monitoring	1,200.00		Related to the incomes
Import discount interest funds	60,000.00		Related to the incomes
Export credit insurance premiums	78,322.00	398,905.00	Related to the incomes
The exhibition subsidy	3,209.42		Related to the incomes
The Tech Awards	20,000.00		Related to the incomes
The Tech Awards	450,000.00		Related to the incomes
Patent fund subsidy	4,000.00		Related to the incomes
Import discount interest funds	147,960.00		Related to the incomes

Contract energy management financial reward	2,570,000.00		Related to the incomes
Fiscal interest discount funds	187,500.00		Related to the incomes
Training subsidies	55,200.00		Related to the incomes
Social security subsidy	1,431,240.02		Related to the incomes
Production subsidies	10,655,901.42		Related to the incomes
Public housing subsidy		4,750,000.00	Related to the incomes
Energy saving subsidy		80,000.00	Related to the incomes
Quality prize of the governor		100,000.00	Related to the incomes
The Tech Awards		100,000.00	Related to the incomes
Standardization project subsidy		24,000.00	Related to the incomes
Patent development subsidy		20,000.00	Related to the incomes
Import discount interest funds		183,150.00	Related to the incomes
Export credit insurance premiums		402,000.00	Related to the incomes
Key industries subsidies		200,000.00	Related to the incomes
Science and technology innovation subsidies		4,290,000.00	Related to the incomes
Key industries subsidies		17,000,000.00	Related to the incomes
Science and technology innovation subsidies		438,400.00	Related to the incomes
Subsidies of unemployment dynamic monitoring		1,200.00	Related to the incomes
Patent create subsidies		4,000.00	Related to the incomes
Import discount interest funds		467,060.00	Related to the incomes
Export brand reward		300,000.00	Related to the incomes
The independent innovation reward		1,000,000.00	Related to the incomes
Energy management construction model subsidy funds		6,250,000.00	Related to the incomes
The reward of energy saving reconstruction		2,010,000.00	Related to the incomes
Patent development subsidies		100,000.00	Related to the incomes
Technical renovation funds		1,000,000.00	Related to the incomes
Agricultural industrialization		200,000.00	Related to the incomes

development funds			
Loan with discounted interest		62,500.00	Related to the incomes
Autonomous region technical renovation subsidies		1,500,000.00	Related to the incomes
The Tech Awards		50,000.00	Related to the incomes
Technology center subsidies		300,000.00	Related to the incomes
Import discount interest funds		44,650.00	Related to the incomes
The Tech Awards Subsidy		20,000.00	Related to the incomes
Patent award		30,000.00	Related to the incomes
Heating subsidies		500,000.00	Related to the incomes
Patent subsidies		86,000.00	Related to the incomes
Subsidies for transferring Xinjiang cotton yarn to warehouses out of Xinjiang	2,379,268.00	2,633,200.00	Related to the incomes
Subsidies for transferring Xinjiang cotton to warehouses out of Xinjiang		5,216,300.00	Related to the incomes
Premium subsidies		300,000.00	Related to the incomes
Social security subsidy		258,858.00	Related to the incomes
Export credit insurance premiums		18,000.00	Related to the incomes
Deferred revenue amortization	2,173,157.84	1,354,251.84	Related to the assets
Total	99,126,878.52	51,990,074.84	--

51. Non-operating expenses

Unit: RMB Yuan

Item	Reporting period	Same period of last year	Amount recorded in current non-recurring gains and losses
Total loss on disposal of non-current assets	6,075,803.07	2,067,029.87	6,075,803.07
Including: Loss on disposal of fixed assets	6,075,803.07	2,067,029.87	6,075,803.07
External donation	3,239,163.80	4,068,355.50	3,239,163.80
Other	1,051,402.66	3,186,094.36	1,051,402.66
Total	10,366,369.53	9,321,479.73	10,366,369.53

52. Income tax expense**(1) Lists of income tax expense**

Unit: RMB Yuan

Item	2014	2013
Current income tax expense	173,888,537.51	181,933,368.87
Deferred income tax expense	3,709,274.80	2,610,986.57
Total	177,597,812.31	184,544,355.44

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

Unit: RMB Yuan

Item	2014
Total profits	1,156,974,993.88
Current income tax expense accounted by tax and relevant regulations	173,546,249.08
Influence of different tax rate suitable to subsidiary	19,707,945.10
Influence of income tax before adjustment	-750,408.26
Influence of non taxable income	-6,441,400.61
Influence of not deductible costs, expenses and losses	624,003.46
Influence of deductible losses of deferred income tax assets derecognized used in previous period	-1,079,119.25
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	6,702,005.96
Influence of plus deducting costs	-14,711,463.17
Deferred income tax	177,597,812.31

Notes:

53. Supplementary information to cash flow statement**(1) Other cash received relevant to operating activities**

Unit: RMB Yuan

Item	2014	2013
Government grants	86,297,819.26	50,635,823.00
Collection for employees	600,744.31	1,049,367.28
Claim income	1,315,960.25	1,679,599.26

Penalty income	66,215.97	67,975.22
Recovery of employee borrowings, petty cash and deposit	9,635,053.19	6,772,466.26
Recovery of the deposits and charge of the employee comfortable housing		12,302,000.00
Other	6,931,182.35	10,028,093.11
Total	104,846,975.33	82,535,324.13

(2) Other cash paid relevant to operating activities

Unit: RMB Yuan

Item	2014	2013
Freight and miscellaneous charges	46,642,382.10	50,576,982.61
Rental charges and management expenses of the shoppe	17,785,897.90	17,419,524.44
Rental charges	21,791,858.34	11,061,917.83
Advertising expenses	16,086,754.68	8,379,720.63
Official travel expenses	10,214,144.89	8,250,903.18
Insurance fee	8,991,889.03	9,598,506.73
Copyright royalties	3,194,102.88	1,820,132.08
Audit advisory announcement fee	7,557,295.92	2,437,111.61
Decoration & repair expenses	1,128,402.64	4,440,919.79
External donation	3,239,163.80	4,068,355.50
Other	104,434,306.33	98,277,400.24
Total	241,066,198.51	216,331,474.64

Notes:

(3) Other cash received relevant to investment activity

Unit: RMB Yuan

Item	2014	2013
Interest income	7,556,637.78	5,594,424.56
Trading financial assets investment income	27,935,884.70	22,186,331.30
Total	35,492,522.48	27,780,755.86

(4) Other cash paid relevant to investment activity

Unit: RMB Yuan

Item	2014	2013
Borrowings from related parties	12,000,000.00	78,500,000.00
Return of inward bill deposits	25,814,503.00	
Return of the B-share buy-back amount		35,410,586.78
Return of the loan deposit for Xinjiang Lu Thai		16,950,000.00
Total	37,814,503.00	130,860,586.78

(5) Other cash received relevant to financing activities

Unit: RMB Yuan

Item	2014	2013
Cash paid back to related parties	12,000,000.00	131,940,000.00
Cash paid for repurchasing restricted stocks	129,317.20	20,207,865.00
Inward bill deposits	25,814,503.00	
the certificates of deposit pledged of Xinjiang Luthai	16,000,000.00	
Total	53,943,820.20	152,147,865.00

54. 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	979,377,181.57	1,039,811,812.78
Add: Provision for assets impairments	12,884,824.16	13,670,053.39
Depreciation of fixed assets, oil-gas assets and productive biological assets	303,020,522.04	267,754,347.46
Amortization of intangible assets	11,760,038.33	10,808,662.29
Amortization of long-term deferred expense	1,021,677.72	95,072.51
Losses/gains on disposal of fixed assets, intangible asset and other long-term assets (gains: negative)	2,906,728.27	-569,170.64
Losses/gains on scrapped of fixed assets (gains: negative)	409,284.28	136,790.17
Losses/gains from variation of fair value (gains: negative)	33,255,320.00	-11,560,479.00
Financial cost (income: negative)	12,286,198.63	40,371,759.73
Investment loss (gains: negative)	-28,055,884.70	-22,186,331.30

Decrease in deferred tax assets (increase: negative)	8,194,576.35	941,428.83
Increase in deferred tax liabilities (decrease: negative)	-4,485,301.55	1,669,557.74
Decrease in inventory (increase: negative)	-109,327,962.73	45,022,770.21
Decrease in accounts receivable from operating activities (increase: negative)	48,653,571.32	-65,206,530.64
Increase in accounts payable from operating activities (decrease: negative)	-159,805,424.67	133,165,278.06
Net cash flows generated from operating activities	1,112,095,349.02	1,453,925,021.59
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of Cash	649,393,798.30	869,909,505.89
Less: opening balance of cash	869,909,505.89	900,182,215.72
The net increase in cash and cash equivalents	-220,515,707.59	-30,272,709.83

(2) Cash and cash equivalents

Unit: RMB Yuan

Item	Closing balance	Opening balance
I. Cash	649,393,798.30	869,909,505.89
Including: Cash on hand	1,190,565.56	1,205,603.58
Bank deposit on demand	631,971,943.96	806,000,856.42
Other monetary funds on demand	16,231,288.78	62,703,045.89
III. Closing balance of cash and cash equivalents	649,393,798.30	869,909,505.89

55. The assets with the ownership or use right restricted

Unit: RMB Yuan

Item	Closing book value	Restricted reason
Monetary capital	16,900,000.00	Short term loan pledged, the civilization construction margin
Inventory	159,401,398.00	Short term loan pledged
Fix assets	32,215,264.78	Short term loan pledged
Intangible assets	34,616,601.59	Short term loan pledged
Total	243,133,264.37	--

56. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB Yuan

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Of which USD	44,164,762.03	6.1190	270,244,178.85
EUR	33,768.61	7.4556	251,765.27
HKD	23,522,371.94	0.7889	18,556,799.22
JPY	102,502.00	0.0514	5,296.98
THB	120.19	0.1887	22.68
SGD	91.90	4.6396	426.38
GBP	1,503.36	9.5437	14,347.62
AUD	2,821.03	5.0174	14,154.24
CHF	7,231.10	6.2715	45,349.86
SEK	920.00	0.8007	736.64
Of which USD	22,293,510.86	6.1190	136,413,993.05
HKD	2,716,943.88	0.7889	2,143,397.03
Of which USD	1,618,670.63	6.1190	9,904,645.59

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

applicable inapplicable

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

VIII. Changes of merge scope

1. Other reasons for the changes in combination scope

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

The Company newly set wholly owned subsidiaries was Lu Thai (Cambodia), Lu Thai (Burma) and Lu Thai (America), controlling subsidiary was Beijing Youxian.

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Proportion of shareholding		Way of gaining
				Directly	Indirectly	
Lufeng Sunshine	Beijing	Beijing	Wholesale and retail industry	100.00%		Establish
Beijing Innovative	Beijing	Beijing	Wholesale and retail industry	60.00%		Establish
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Establish
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Establish
Xinjiang Luthai	Xinjiang	Xinjiang	Manufacturing industry	59.92%		Enterprise combination not under same control
Lufeng Weaving & Dyeing	Zibo	Zibo	Manufacturing industry	75.00%		Establish
Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Establish
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Enterprise combination not under same control
Xinjiang Luthai Textile (sub-subsidiary)	Xinjiang	Xinjiang	Manufacturing industry	100.00%		Establish
Helijie (sub-subsidiary)	Zibo	Zibo	Service industry	100.00%		Enterprise combination not under same control
Beijing Youxian	Beijing	Beijing	Wholesale and retail industry	90.00%		Establish
Lu Thai(Cambodia)	Cambodia	Cambodia	Manufacturing industry	100.00%		Establish
Lu Thai(Burma)	Burma	Burma	Manufacturing industry	100.00%		Establish
Lu Thai(America)	America	America	Wholesale and retail industry	100.00%		Establish

(2) Significant not wholly owned subsidiary

Unit: RMB Yuan

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Xinjiang Luthai	40.08%	18,542,615.30	40,078,565.57	167,158,056.33
Lufeng Weaving & Dyeing	25.00%	11,551,628.26		276,322,175.84

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

Unit: RMB Yuan

Name	Closing balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liability
Xinjiang Luthai	565,642,462.56	336,357,886.37	902,000,348.93	484,470,159.82	7,358,372.43	491,828,532.25
Lufeng Weaving & Dyeing	432,310,138.16	947,299,541.89	1,379,609,680.05	243,251,609.13	31,069,367.50	274,320,976.63
Name	Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liability
Xinjiang Luthai	689,063,589.50	304,063,923.56	993,127,513.06	577,379,706.61	1,840,000.00	579,219,706.61
Lufeng Weaving & Dyeing	551,174,089.97	992,782,920.19	1,543,957,010.16	452,392,552.50	32,482,267.30	484,874,819.80

Unit: RMB Yuan

Name	2014				2013			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow
Xinjiang Luthai	676,265,353.51	46,264,010.23	46,264,010.23	-11,120,727.05	686,196,142.20	83,067,996.18	83,067,996.18	223,920,565.36
Lufeng Weaving & Dyeing	1,377,696,781.89	46,206,513.06	46,206,513.06	41,980,782.28	1,408,333,561.58	72,361,988.74	72,361,988.74	264,214,436.13

Dyeing							
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X. The risk related financial instruments

Main financial instruments of the Company included: Loans, accounts receivable, accounts payable, etc., all the details of the financial instruments, see related projects of "section VII". The risk associated with these financial instruments, as well as the Company's risk management policy to reduce these risks which were described below.

The Company's management managed and supervised these risks to ensure that the above risk was controlled in a limited scope.

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

Risk management objectives and policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors.

Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The Company's foreign exchange risk was mainly related to USD, HKD and EUR, the Company's several subsidiaries purchase and sale, in USD, HKD and EUR, the main sale business, part of purchase business and loan transaction of the Company's subsidiary Lufeng Weaving & Dyeing settled by USD, other business settled by RMB. On 31 Dec. 2014, in addition to the following assets or liabilities in statement was USD , HKD and EUR, the Company's assets or liabilities was RMB balance, the foreign exchange risk incurred by assets and liabilities of foreign balance may had impact to the operation results of the Company.

Item	Closing amount	Opening amount
Cash and cash equivalents	289,133,077.74	431,903,234.64
Note receivable	92,009,162.34	114,509,748.23
Account receivable	138,557,390.08	152,291,024.45
Other account receivable	5,792,541.34	768,458.22
Account payable	18,451,521.14	26,454,185.29
Other account payable	1,172,287.39	199,790.66
Short term borrowings	159,222,946.24	270,664,954.85
Long term borrowings due with one year	100,733,898.72	85,356,600.00
Long term borrowings	9,904,645.59	97,550,400.00

Sensitive analysis of foreign exchange risk:

Influence of change of exchange rate to current profits and losses and equity of shareholders was followed:

Change	2014		2013	
	Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Up 10% against RMB	-22,822,257.83	-22,822,257.83	-21,276,223.67	-21,276,223.67
Down 10% against RMB	22,822,257.83	22,822,257.83	21,276,223.67	21,276,223.67

(2) Interest rate risk

The risk of cash flow changes of financial instruments due to change of interest rate mainly was related bank loan (for details, see Section VII, 20, 30, 31)

Sensitive analysis of interest rate risk:

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

Change	2014		2013	
	Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Increase 100 BP	-4,640,123.66	-4,640,123.66	-5,166,516.44	-5,166,516.44
Decrease 100 BP	4,640,123.66	4,640,123.66	5,166,516.44	5,166,516.44

2. Credit risk

On 31 Dec. 2014, credit risk what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company's financial assets, which including: book value of financial assets recognized in consolidated balance sheet.

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

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

On balance sheet date, account receivables single recognized had occurred bad debt provision Zichuan Liaozhai Hotel Co., Ltd., ZIBO HUAYANG BLANKET CO., LTD, due to the company long-term arrear and was unable to pay, the Company had withdraw bad debt provision.

3. Liquidity Risk

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

In the end of reporting period, the Company held cash and bank deposit of RMB 666 million. In recent two years, the average of net cash flow of operation activities was RMB 1.283 billion; the Company believed that the liquidity risk was insignificant.

XI. The disclosure of the fair value

1. Closing fair value of assets and liabilities calculated by fair value

Unit: RMB Yuan

Item	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(V) Trading financial liabilities	3,306,200.00			3,306,200.00
Derivative financial liabilities	3,306,200.00			3,306,200.00
Total liabilities continue to calculated by fair value	3,306,200.00			3,306,200.00
II. Inconsistent fair value measurement	--	--	--	--

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

The Company recognized in line with the forward settlement of exchange offer of the bank fair value measurement items at level 1.

XII. Related party and related Transaction

1. Information related to parent company of the Company

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

2. Subsidiaries of the Company

See details to Notes 1. Equity in subsidiary, IV.

3. Information on other related parties of the Company

Name	Relationship
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Affiliated person (the same chairman of the Board with the Company)
Zibo Taimei Ties Co., Ltd. (hereinafter called Taimei Ties)	Controlled subsidiary of the parent company
Zibo Limin Purified Water Co., Ltd. (hereinafter called Limin Purified Water)	Wholly-owned subsidiary of the parent company

Zibo Luqun Land Co., Ltd (hereinafter called Luqun Land)	Wholly-owned subsidiary of the parent company
Chengshun Heating	Controlled subsidiary of the parent company
Zibo Limin Walling Material Co., Ltd. (hereinafter referred to as Limin Walling)	Controlled subsidiary of the wholly-owned subsidiary of the Company
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as Lurui Chemical)	Controlled subsidiary of the parent company
Zibo Lujia Property Management Co. , Ltd. (hereinafter referred to as Lujia Property)	Wholly owned subsidiary of the parent company
Hongqiao Power	Other

4. List of related-party transactions

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

Unit: RMB Yuan

Related-party	Content	2014	2013
Lucheng Textile	Towel, sock, oil product, etc.	6,377,609.18	6,110,611.20
Lucheng Textile	Electronic product, computer equipment, computer consumable materials and high-temperature products	2,206,291.13	1,644,884.88
Stanluian Company	Gift box for cosmetic, lotion, washing-up liquid, Liquid soap, etc.	152,497.47	173,106.73
Lucheng Textile	Hose processing fee	425,050.60	543,242.91
Taimei Ties	Goods processing, quilt cover processing fee	1,023,260.31	1,098,290.61
Limin Purified Water	Sewage treatment	9,105,162.48	10,707,582.24
Limin Purified Water	Equipment		14,010.52
Lucheng Textile	Fine staple cotton		2,263,966.88
Hongqiao Power	Electricity and steam	61,128,970.33	65,278,443.73
Limin Walling	Building materials	224,266.67	1,436,258.96
Lurui Fine	Equipment	29,059.83	

Chemical			
Lurui Fine Chemical	Auxiliaries	43,683,120.01	

Sales of goods and rendering of labor service

Unit: RMB Yuan

Related-party	Content	2014	2013
Lucheng Textile	Sales of materials, electricity, running water, steam and LED lamp	206,738.98	349,399.80
Lucheng Textile	Sales of dyed yarn, fabric and garments	655,798.17	730,267.28
Taimei Ties	Sales of electricity, heating charges, garment etc.	20,787.92	23,716.24
Stanluian Company	Sales of materials, garments, electricity, running water and heating charges	55,253.10	45,479.52
Limin Purified Water	Sales of materials, garment, equipment and LED lamp	38,154.29	14,669.35
Lurui Chemical	Sales of garments, equipment and LED lamp	123,141.44	8,119.66
Chengshun Power	Sales of materials, heating water and garment	4,186,147.42	4,903,383.90
Lujia Property	Sales of materials and recycled water	42,055.19	

(2) Information of related-party lease

The Company was lessor:

Unit: RMB Yuan

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Lucheng Textile	Building & construction	390,400.00	153,636.00
Chengshun Power	Building & construction	1,350.00	3,950.00

The Company was lessee:

Unit: RMB Yuan

lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets
Lucheng Textile	Rent of land	3,995,600.00	3,795,600.00
Lucheng Textile	Rent of gas station	526,800.00	482,556.00
Lucheng Textile	Rent of land and buildings	8,197,200.00	403,440.00
Luqun Property	Rent of land and buildings	1,802,400.00	1,802,400.00
Lucheng Textile	Rent of houses	4,417,200.00	697,200.00

Notes:

(3) Inter-bank lending of capital of related parties:

Unit: RMB Yuan

Related party	Amount of call loan	Initial date	Due date	Note
Borrowed				
Lucheng Textile	6,000,000.00	23 Jan. 2014	27 Jan. 2014	Accounts borrowed by Luqun Textile in this year had all paid in this year
Lucheng Textile	6,000,000.00	24 Jan. 201	27 Jan. 2014	Accounts borrowed by Luqun Textile in this year had all paid in this year
loaned				

(4) Related party asset transfer and debt restructuring

Unit: RMB Yuan

Related party	Content	2014	2013
Luqun Property	Building & construction	31,416,086.66	

(5) Rewards for the key management personnel

Unit: RMB Yuan

Item	2014	2013
Remuneration of key management personnel	2,250.20	1,910.63

5. Receivables and payables of related parties**(1) Receivables**

Unit: RMB Yuan

Item	Related party	Closing period	Opening period
Account payables	Lucheng Textile	391,531.00	377,246.00
Account payables	Taimei Ties	100,485.00	100,485.00

XIII. Stock payment**1. The Stock payment overall situation**

√Applicable □Inapplicable

Unit: RMB Yuan

Total of each equity instruments granted by the company in the reporting period	0.00
Total of each equity instruments exercised by the Company in the reporting period	OMPANY
Total of each equity instrument expired in the reporting period	42,000.00

2. The Stock payment settled by equity

Applicable Inapplicable

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
Reason of significant difference between reporting period and same period of last year	NA
Accumulated amount of equity-settled share-based payment in capital reserves	66,608,695.00
Total expense recognized for the equity-settle share-based payment in the reporting period	6,041,853.38

XIV. Commitments and contingency

1. Significant commitments

Significant commitments at balance sheet date

Item	Closing balance	Opening balance
Commitments signed but hasn't been recognized in financial statements		
- Commitment for constructing and purchasing long-term assets	4,234.11	17,936.43
Total	4,234.11	17,936.43

2. Contingency

(1) Significant contingency at balance sheet date

As of 31 Dec. 2014, there was no significant contingency at balance sheet date in the Company.

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

There was no significant contingency in the Company.

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XV. Events after balance sheet date**1. Profit distribution**

Unit: RMB Yuan

Profits or dividends planned for distribution	477,879,248.00
Profits or dividends declared for distribution upon review and approval	477,879,248.00

XVI. Notes of main items in the financial statements of the Company**1. Accounts receivable****(1) Accounts receivable classified by category**

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Amount		Amount	Proportion (%)	Amount	Amount	
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics :	348,586,979.40	100.00 %	26,689,904.79	7.66 %	321,897,074.61	285,486,751.57	100.00 %	19,746,037.08	6.92%	265,740,714.49
Total	348,586,979.40	100.00 %	26,689,904.79	7.66 %	321,897,074.61	285,486,751.57	100.00 %	19,746,037.08	6.92%	265,740,714.49

Accounts receivable with insignificant single amount but large risks of groups after grouping by credit risks characteristics at the end of reporting period.

Applicable Inapplicable

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

Applicable Inapplicable

Unit: RMB Yuan

Aging	Closing balance		
	Accounts receivable	Provision for bad debts	Proportion (%)
Subentry within 1 year			
Within 1 year	281,633,946.37	14,081,697.32	5.00%
Subtotal of within 1 year	281,633,946.37	14,081,697.32	5.00%
1-2 years	25,102,471.18	2,510,247.12	10.00%
2-3 years	24,572,081.97	4,914,416.39	20.00%
Over 3 years	17,278,479.88	5,183,543.96	30.00%
Total	348,586,979.40	26,689,904.79	7.66%

Notes:

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

 Applicable Inapplicable**(2) Bad debt provision withdrawal, reversed or recovered in the report period**

The amount of bad debt provision was RMB 6,943,867.71; the amount of reversed or recovered bad debt provision in the report period was of RMB 000.

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

The total amount of top five of account receivable of closing balance collected by arrears party was RMB 212,321,510.69, 60.91% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB19,864,480.20.

2. Other account receivable**(1) Other account receivable classified by category**

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Withdrawal Proportion (%)		Amount	Proportion (%)	Amount	Withdrawal Proportion (%)	
Accounts receivable withdrawal of bad debt provision of by credit risks	30,826,657.21	100.00%	2,777,139.42	9.01%	28,049,517.79	36,913,460.94	100.00%	3,838,305.26	10.40%	33,075,155.68

characteristics:										
Total	30,826,657.21	100.00%	2,777,139.42	9.01%	28,049,517.79	36,913,460.94	100.00%	3,838,305.26	10.40%	33,075,155.68

Other accounts receivable with insignificant single amount but large risks of groups after grouping by credit risks characteristics at the end of reporting period

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		
	Other account receivable	Provision for bad debts	Proportion (%)
Subentry within 1 year			
Within 1 year	25,080,231.83	1,254,011.59	5.00%
Subtotal of within 1 year	25,080,231.83	1,254,011.59	5.00%
1-2 years	808,580.94	80,858.09	10.00%
2-3 years	390,835.90	78,167.18	20.00%
Over 3 years	4,547,008.54	1,364,102.56	30.00%
Total	30,826,657.21	2,777,139.42	9.01%

Notes:

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

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The amount of bad debt provision was RMB -1,061,165.84, the amount of reversed or recovered bad debt provision in the report period RMB 0.00 Yuan

(3) Other account receivable classified by account nature

Unit: RMB Yuan

Nature	Closing book value	Opening book value
Turnover amount	2,861,317.03	16,035,996.91
Export taxes refund	8,218,844.96	4,895,108.66
Advance payment	13,311,113.23	9,031,638.01
Pledge and guarantee	2,191,658.50	1,964,658.50
Lending and deposit	2,121,376.44	2,116,432.12

Other	2,122,347.05	2,869,626.74
Total	30,826,657.21	36,913,460.94

(4) The top five other account receivable classified by debtor at period end

Unit: RMB Yuan

Entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Accounts receivable of export tax refunds	Export taxes refund	8,218,844.96	Within 1 year	26.66%	410,942.25
Accounts receivable of advance money for the social security undertake by the individual of the employee	Advance money for the social security undertake by the individual of the employee	5,729,112.80	Within 1 year	18.58%	286,455.64
Deposits for wages paid to migrant workers of Zichuan District, Zibo city	Deposits for wages paid to migrant workers of infrastructure works	1,458,593.50	Over 3 years	4.73%	437,578.05
Lu Thai (Cambodia)	Turnover amount	1,750,029.04	Within 1 year	5.68%	87,501.45
Lu Thai (America)	Turnover amount	1,111,287.99	1 Within 1 year	3.61%	55,564.40
Total	--	18,267,868.29	--	59.26%	1,278,041.79

3. Long term equity investment

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	bad debt provision	Book value	Book balance	bad debt provision	Book value
Investment to the subsidiary	1,170,861,572.56		1,170,861,572.56	1,046,654,204.88		1,046,654,204.88
Total	1,170,861,572.56		1,170,861,572.56	1,046,654,204.88		1,046,654,204.88

(1) Investment to the subsidiary

Unit: RMB Yuan

Entity	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment	Closing balance of impairment
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					provision in the reporting period	provision
Beijing Innovative	25,200,000.00			25,200,000.00		
Xinjiang Luthai	117,342,316.95	29,960,717.21		147,303,034.16		
Xinsheng Power	176,340,737.93			176,340,737.93		
Lufeng Weaving & Dyeing	529,620,000.00			529,620,000.00		
Luqun Textile	171,784,550.00			171,784,550.00		
Luthai (Hong Kong)	6,366,600.00			6,366,600.00		
Lufeng Sunshine	15,000,000.00			15,000,000.00		
Shanghai Luthai	5,000,000.00	15,000,000.00		20,000,000.00		
Luthai (Cambodia)		70,585,030.47		70,585,030.47		
Luthai (America)		3,670,380.00		3,670,380.00		
Luthai (Burma)		491,240.00		491,240.00		
Beijing Youxian		4,500,000.00		4,500,000.00		
Total	1,046,654,204.88	124,207,367.68		1,170,861,572.56		

4. Revenues and operating costs

Unit: RMB Yuan

Item	Reporting period		Same period of last year	
	Revenues	Operating costs	Revenues	Operating costs
Main operations	4,567,509,952.85	3,214,341,389.02	4,637,586,097.28	3,266,568,130.30
Other operations	157,011,104.51	114,158,449.22	159,647,308.92	115,509,386.98
Total	4,724,521,057.36	3,328,499,838.24	4,797,233,406.20	3,382,077,517.28

Other notes:

5. Investment income

Unit: RMB Yuan

Item	Reporting period	Same period of last year
Long-term equity investment income accounted by cost method	59,921,434.43	
Investment income received from disposal of long-term equity investment calculated by fair value	24,355,244.66	18,157,261.30

Total	84,276,679.09	18,157,261.30
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XVII. Supplementary materials

1. Items and amounts of extraordinary gains and losses

Applicable Inapplicable

Unit: RMB Yuan

Item	Amount	Note
Gains/losses on the disposal of non-current assets	-3,316,012.55	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the government's unified standards	99,126,878.52	
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	-5,319,435.30	
Non-operating income and expense other than the above	21,173,199.30	
Less: Income tax effects	22,913,850.04	
Minority interests effects (after tax)	6,120,557.51	
Total	82,630,222.42	--

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

2. Return on equity (ROE) and earnings per share (EPS)

Profit as of reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	15.39%	1.00	1.00

Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	14.07%	0.92	0.92
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3. Differences between accounting data under domestic and overseas accounting standards

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

Applicable Inapplicable

Unit: RMB Yuan

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	2014	2013	Closing amount	Opening amount
According to Chinese accounting standards	958,725,402.84	999,256,730.65	6,588,772,245.55	5,988,054,133.73
Items and amounts adjusted according to international accounting standards				
Impact on domestic equipments tax credit recognized as deferred income under international accounting standards	1,225,000.00	1,509,000.00	-2,069,000.00	-3,294,000.00
According to international accounting standards	959,950,402.84	1,000,765,730.65	6,586,703,245.55	5,984,760,133.73

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

Applicable Inapplicable

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

Effects of domestic equipment exempted from income tax

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

net assets.

4. Supplementary materials of changes in accounting policies

√ Applicable □ Inapplicable

The Company according to such eight accounting rules of Accounting Standards for Enterprises No. 2—Long Term Equity Investment released in 2014 by Ministry of Finance change related accounting policies and retroactive restate the comparative financial statements, after restatement, the consolidated balance sheet of 1 Jan. 2013 and 31 Dec. 2013:

Unit: RMB Yuan

Item	1 Jan. 2013	31 Dec. 2013	31 Dec. 2014
Current Assets:			
Monetary funds	919,734,646.13	872,461,415.00	666,293,798.30
Financial assets measured at fair value and changes recorded into current profits and losses	18,388,641.00	29,949,120.00	
Notes receivable	158,739,877.01	126,106,380.23	113,804,477.43
Accounts receivable	228,133,619.46	280,434,879.62	211,970,554.10
Accounts paid in advance	96,214,664.63	137,003,771.58	174,865,932.88
Other account receivable	63,051,887.49	68,608,410.00	63,378,909.28
Inventories	1,684,292,327.27	1,645,070,671.31	1,752,570,382.21
Other current assets	68,068,385.18	34,030,201.42	5,167,324.98
Total current assets	3,236,624,048.17	3,193,664,849.16	2,988,051,379.18
Non-current assets:			
Available-for-sale financial assets	67,442,600.00	67,442,600.00	67,442,600.00
Long term account receivable			6,980,998.00
Fixed assets	4,186,294,298.29	4,454,201,264.50	4,930,848,056.04
Construction in progress	242,436,748.42	227,959,833.59	123,585,226.80
Engineering materials	12,057,574.11	19,094,482.53	19,885,765.41
Productive biological asset			1,310,500.00
Intangible assets	319,013,492.53	352,846,664.24	373,760,347.71
Goodwill	20,613,803.29	20,613,803.29	20,613,803.29
long-term unamortized expenses	1,806,377.50	1,711,304.99	28,319,033.27
Deferred income tax assets	59,099,452.02	58,158,023.19	49,963,446.84
Other non-current assets	7,890,690.00	16,255,736.00	16,910,237.34
Total non-current assets	4,916,655,036.16	5,218,283,712.33	5,639,620,014.70

Total assets	8,153,279,084.33	8,411,948,561.49	8,627,671,393.88
Current liabilities:			
Short-term loans	1,415,078,463.05	648,664,954.85	517,452,946.24
Financial liabilities measured at fair value and changes recorded into current profits and losses			3,306,200.00
Notes payable	9,512,094.30	10,213,263.69	7,421,979.09
Accounts payable	327,495,627.56	400,053,679.69	344,082,239.16
Accounts received in advance	115,544,995.57	100,793,054.81	82,176,191.45
Payroll payable	337,680,852.54	348,179,434.99	261,539,206.93
Tax payable	50,873,887.19	115,248,378.73	74,052,405.97
Interest payable	2,670,262.59	1,499,475.06	511,373.44
Dividends payable	441,966.54	441,966.54	441,456.54
Other account payable	135,800,195.70	84,445,300.34	58,075,873.18
Non-current liabilities due within 1 year	12,851,550.00	85,356,600.00	100,733,898.72
Total current liability	2,407,949,895.04	1,794,896,108.70	1,449,793,770.72
Non-current liabilities:			
Long-term borrowings		97,550,400.00	9,904,645.59
Long-term payables	9,735,560.00	9,735,560.00	220,000.00
Long-term payroll payable	9,933,800.00	23,883,400.00	80,360,457.97
Deferred income	64,247,352.65	62,893,100.81	67,057,221.40
Deferred income tax liabilities	4,880,456.83	6,550,014.57	2,064,713.02
Other non-current liabilities	1,840,000.00	1,840,000.00	1,840,000.00
Total non-current liabilities	90,637,169.48	202,452,475.38	161,447,037.98
Total liabilities	2,498,587,064.52	1,997,348,584.08	1,611,240,808.70
Owners' equity (or shareholders' equity)			
Paid-up capital (or share capital)	1,008,894,800.00	955,800,496.00	955,758,496.00
Capital reserves	1,230,191,471.42	1,000,854,805.66	1,007,039,561.13
Less: Treasury stock	272,794,496.52		
Other comprehensive income	-6,043,037.30	-7,494,320.36	-8,440,178.37
Surplus reserves	579,274,370.26	659,538,411.25	742,347,832.47
Retained profits	2,729,178,150.40	3,379,354,741.18	3,892,066,534.32

Total equity attributable to owners of the Company	5,268,701,258.26	5,988,054,133.73	6,588,772,245.55
Minority interests	385,990,761.55	426,545,843.68	427,658,339.63
Total owners' (or shareholders') equity	5,654,692,019.81	6,414,599,977.41	7,016,430,585.18
Total liabilities and owners' (or shareholders') equity	8,153,279,084.33	8,411,948,561.49	8,627,671,393.88

Section XII. Documents for Reference

- I. Accounting statement signed by legal representative, responsible person in charge of accounting work and responsible person of accounting department;
2. The original of Auditors' Report carried with the seal of the accounting firm, as well as the personal signatures of certified public accountants.
3. The originals of all documents and manuscripts of Public Notices of the Company disclosed publicly on *Securities Times*, *Shanghai Securities News* and *Ta Kung Pao*.

Signature of the Chairman of the Board: Liu Shizhen

Lu Thai Textile Co., Ltd.

31 Mar. 2015