



LUTHAI TEXTILE CO., LTD.
2015 SEMI- ANNUAL REPORT

August 2015

Section I. Important Reminders, Contents & Definitions

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

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

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve 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.

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Definitions

| Short form | Refers to | Definition |
|------------------------------|-----------|--|
| Issuer, Company, the Company | Refers to | Luthai Textile Co., Ltd. |
| The Board of Directors | Refers to | The Board of Directors of Luthai Textile Co., Ltd. |
| The Supervisory Committee | Refers to | The Supervisory Committee of Luthai Textile Co., Ltd. |
| CSRC | Refers to | China Securities Regulation Commission |
| Yuan, Ten thousand | Refers to | RMB Yuan, RMB Ten thousand |
| The “Company Law” | Refers to | The “Company Law of the People’s Republic of China” |
| The “Securities Law” | Refers to | The “Securities Law of the People’s Republic of China” |
| Reporting period | Refers to | 1 Jan. 2015-30 Jun. 2015 |

Section II. Company Profile

I. Basic information of the Company

| | | | |
|---|--------------------------|------------|----------------|
| Stock abbreviation | LTA, LTB | Stock code | 000726, 200726 |
| Stock abbreviation after change (if any) | N/A | | |
| Stock exchange listed with | Shenzhen Stock Exchange | | |
| Chinese name of the Company | 鲁泰纺织股份有限公司 | | |
| Abbr. of the Chinese name of the Company (if any) | 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 | | |

II. Contact information

| | 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 | qinguiling@lttc.com.cn | wyzheng@lttc.com.cn |

III. Other information

1. Ways to contact the Company

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

☐ Applicable ☒ Inapplicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the reporting period. The said information can be found in the 2014 Annual Report.

2. About information disclosure and where this report is placed

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

☐ Applicable ☒ Inapplicable

The newspapers designated by the Company for information disclosure, the website designated by CSRC for disclosing this report and the location where this report is placed did not change during the reporting period. The said information can be found in the 2014 Annual Report.

3. Changes in the registered information

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

☒ Applicable ☐ Inapplicable

| | Registration date | Registration place | Business license No. | Registration code of taxation | Organizational code |
|---|-------------------|--|----------------------|-------------------------------|---------------------|
| At the beginning of the reporting period | 13 November 2014 | Zibo Municipal Administration Bureau for Industry and Commerce | 370300400002843 | 370302613281175 | 61328117-5 |
| At the end of the reporting period | 14 April 2015 | Zibo Municipal Administration Bureau for Industry and Commerce | 370300400002843 | 370302613281175 | 61328117-5 |
| Date when the relevant announcement was disclosed on the designated website (if any) | | | | | |
| Website link for the relevant announcement disclosed on the designated website (if any) | None | | | | |

Section III. Highlights of Accounting Data & Financial Indicators

I. Major accounting data and financial indicators

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

☐ Yes ☒ No

| | Reporting period | Same period of last year | YoY +/- (%) |
|--|---------------------------------------|----------------------------|-------------|
| Operating revenues (RMB Yuan) | 2,941,835,897.16 | 3,114,226,581.62 | -5.54% |
| Net profit attributable to shareholders of the Company (RMB Yuan) | 344,521,516.72 | 476,880,256.93 | -27.76% |
| Net profit attributable to shareholders of the Company after extraordinary gains and losses (RMB Yuan) | 308,604,457.41 | 475,996,558.52 | -35.17% |
| Net cash flows from operating activities (RMB Yuan) | 362,304,624.13 | 399,042,563.87 | -9.21% |
| Basic EPS (RMB Yuan/share) | 0.36 | 0.50 | -28.00% |
| Diluted EPS (RMB Yuan/share) | 0.36 | 0.50 | -28.00% |
| Weighted average ROE (%) | 5.10% | 7.81% | -2.71% |
| | As at the end of the reporting period | As at the end of last year | +/- (%) |
| Total assets (RMB Yuan) | 8,585,633,117.13 | 8,627,671,393.88 | -0.49% |
| Net assets attributable to shareholders of the Company (RMB Yuan) | 6,456,030,484.38 | 6,588,772,245.55 | -2.01% |

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 | |
|--|--|--------------------------|--|------------------|
| | Reporting period | Same period of last year | Closing amount | Opening amount |
| According to Chinese accounting standards | 344,521,516.72 | 476,880,256.93 | 6,456,030,484.38 | 6,588,772,245.55 |
| Items and amounts adjusted according to international accounting standards | | | | |

| | | | | |
|---|----------------|----------------|------------------|------------------|
| Impact on domestic equipments tax credit recognized as deferred income under international accounting standards | 612,500.00 | 754,500.00 | -1,456,500.00 | -2,069,000.00 |
| According to international accounting standards | 345,134,016.72 | 477,634,756.93 | 6,454,573,984.38 | 6,586,703,245.55 |

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

☐ Applicable ☒ Inapplicable

No such cases for the reporting 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 | Amount | Explanation |
|--|---------------|-------------|
| Gain/loss on the disposal of non-current assets (including the offset part of the asset impairment provisions) | -2,698,435.96 | |
| Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards | 7,116,087.94 | |
| 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 | 41,107,265.88 | |
| Non-operating income and expense other than the above | 1,457,728.67 | |
| Less: income tax effects | 10,018,509.04 | |
| Minority interests effects (after tax) | 1,047,078.18 | |
| Total | 35,917,059.31 | -- |

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 the first half of 2015, most textile enterprises operated steadily, but the environment for the industry was still harsh with a decreased export volume of textiles and garments, a weak domestic demand and rising costs of production factors. All these together with the depreciation in foreign currencies such as the Yen and the Euro created various unfavorable impacts on export-oriented textile enterprises. Under the circumstances, we continued to deepen our excellent performance management model, vigorously promoted our Lu Thai Production System (LTPS), proactively carried forward our global planning, accelerated the industrial and informatization fusion, and enhanced corporate culture improvement. As a result, despite a drop in our operating results for the first half of the year, we managed to maintain a healthy and steady development trend.

For the reporting period, the Company achieved operating revenues of RMB 2.942 billion, operating profit of RMB 407 million, net profit attributable to common share holders of RMB 345 million and net profit attributable to shareholders of the Company of RMB 309 million after deducting extraordinary gains and losses, down 5.54%, 26.38%, 27.76% and 35.17% respectively from the same period of last year.

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

Within the reporting period, the Company gave to full play of its technical accumulation and brand advantage in yarn dyeing sector, integrated advantageous resources from home and abroad highly efficiently, circumvented potential trade barriers effectively, improved its global production scale and maintained its leading position in global yarn dyeing sector. The Company decided to establish Lutai (Vietnam) Co., Ltd, with its planned production scale of 60,000 spindles of spun yarn and 30 million meters of yarn-dyed fabric, and the project has entered the process of basic construction currently.

Within the reporting period, the Company was appraised as a Pilot Enterprise for Informatization Renovation and Improvement in Textile Industry by China National Textile and Apparel Council and Information Promotion Division of the Ministry of Industry and Information Technology respectively. It was awarded as a Five-star Enterprise for Performing Social Responsibilities of Chinese Industrial Enterprises at the Press Conference of 2015 Enterprise Social Responsibility Report in Chinese Industrial Economics Industry organized by United Nations Industrial Development Organization and China Federation of Industrial Economics, appraised as one of top 100 enterprises in garment industry of China in 2014 by China National Garment Association, appraised a Demonstration Base of Nationwide Enterprise Culture Construction by China Research Institute of Enterprise Culture, awarded a Labor Certificate of Merit for Enriching People and Rejuvenating Shandong by Shandong Province Federation of Trade Unions and appraised as one of Ten Best Elderly Respecting Enterprises of Shandong by Shandong Aging Industry Development Foundation.

Within the reporting period, facing with the severe international and domestic market situations, the Company insisted on practicing its skills, conducted scientific and technological innovations continuously, studied new technologies and new techniques constantly, and enhanced customer promotion and services and its market acceptance and customer recognition have been increased dramatically. The complete set of technologies and equipment for digital automatic bobbin dyeing developed jointly by the Company with China Academy of Machinery Science and Technology and Shandong Companion Group was awarded the first prize of National Scientific and Technological Progress. By the end of the reporting period, the Company had 209 patent applications that had been agreed for handling, of which 68 were invention patents, 134 were utility model patents and 7 were appearance design patents. 144 patents were awarded formally, of which 21 were invention patents, 116 were utility model patents and 7 were appearance design patents. Accumulatively 34 state-level, provincial-level and ministerial-level prizes were awarded, of which 1 was first prize and 2 were second prize of national scientific and technological progress, 9 won prize of provincial scientific and technological progress, of which 4 were first prize, 2 were second prize; 22 won prize of scientific and technological progress of China National Textile And

Apparel Council, of which 3 were first prize and 9 were second prize. It undertook 8 scientific and technological plans of provincial or ministerial level and 9 major research programs of state level or provincial or ministerial level, and participated or hosted in enacting 21 standards, of which 5 were national standards and 16 were industrial standards.

Within the reporting period, the Company promoted its brand construction and marketing network construction continuously. The successful launch of Beijing Lutai Youxian E-Commerce Co., Ltd, its subsidiary and UTAILOR, its high-end tailoring platform (www.utailor.com.cn), completed a seamless connection from offline cutting one's coat according to his cloth to online one-button tailoring. Depending on our advantages in manufacturing technologies in the whole industrial chain and quality assurance, we provided shirts that were of high performance-price ratio and personalized design and excellent services. In terms of fabrics of shirts, within the reporting period, our designers, together with designers from Milan, launched nearly 3000 styles, and recommended to clients in the markets of United States, Asia and Europe. To give to full play of the advantage and role of Milan Design Center, we established good partnership with clients through holding product recommendation meetings in Shanghai, Milan and the United States, and market share of our self-reliantly designed fabrics was improved. In terms of shirts, within the reporting period, we set up a pattern study team for research and improvement of patterns to ensure garment samples to be more fit to body.

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

Overview

In the reporting period, operating revenues decreased 5.54% year on year. Operating costs, selling expenses, administrative expenses, financial expenses and income tax expenses increased -0.23%, 4.87%, 5.56%, 21.24%, -23.38% respectively. Net cash flows from investing activities increased 61.90% year on year mainly because the cash paid to acquire fixed assets decreased 56.65%. Net cash flows from financing activities increased 27.87%. Net increase in cash and cash equivalents increased 71.71% year on year mainly because the net cash flows from investing activities increased 61.90%.

YoY change of major financial data:

Unit: RMB Yuan

| | Reporting period | Same period of last year | YoY +/-% | Main reasons for change |
|--|------------------|--------------------------|----------|--|
| Operating revenues | 2,941,835,897.16 | 3,114,226,581.62 | -5.54% | |
| Operating costs | 2,133,022,201.07 | 2,137,850,293.37 | -0.23% | |
| Selling expenses | 97,645,409.00 | 93,108,145.82 | 4.87% | |
| Administrative expenses | 311,323,333.58 | 294,932,674.63 | 5.56% | |
| Financial expenses | 9,021,706.88 | 7,441,307.46 | 21.24% | |
| Income tax expenses | 67,469,529.96 | 88,060,378.95 | -23.38% | |
| R&D input | 141,009,183.42 | 148,094,648.52 | -4.78% | |
| Net cash flows from operating activities | 362,304,624.13 | 399,042,563.87 | -9.21% | |
| Net cash flows from investing activities | -128,144,916.52 | -336,371,410.80 | 61.90% | Cash paid to acquire fixed assets decreased. |

| | | | | |
|---|-----------------|-----------------|--------|---|
| Net cash flows from financing activities | -356,898,204.35 | -494,775,481.22 | 27.87% | |
| Net increase in cash and cash equivalents | -120,982,414.33 | -427,603,384.69 | 71.71% | Net cash flows from investing activities increased. |

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

☐ Applicable ☒ Inapplicable

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

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

☐ Applicable ☒ Inapplicable

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

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

Inapplicable

III. Breakdown of main business

Unit: RMB Yuan

| | Operating revenue | Operating cost | Gross profit rate (%) | Increase/decrease of operating revenue over the same period of last year (%) | Increase/decrease of operating cost over the same period of last year (%) | Increase/decrease of gross profit rate over the same period of last year (%) |
|-------------------------|-------------------|------------------|-----------------------|--|---|--|
| Classified by industry: | | | | | | |
| Textile and Apparel | 2,714,111,023.53 | 1,962,988,610.82 | 27.67% | -0.37% | 7.58% | -5.35% |
| Cotton | 30,212,580.47 | 25,293,252.53 | 16.28% | -81.05% | -83.06% | 9.95% |
| Electricity and steam | 85,271,911.30 | 61,219,481.71 | 28.21% | -28.41% | -30.48% | 2.14% |
| Other | 28,165,660.18 | 24,082,838.08 | 14.50% | -24.04% | -14.81% | -9.26% |
| Classified by product: | | | | | | |
| Fabric products | 2,142,265,098.63 | 1,551,397,939.75 | 27.58% | 1.51% | 10.17% | -5.69% |
| Shirts | 571,845,924.90 | 411,590,671.07 | 28.02% | -6.87% | -1.18% | -4.15% |
| cotton | 30,212,580.47 | 25,293,252.53 | 16.28% | -81.05% | -83.06% | 9.95% |
| Electricity and steam | 85,271,911.30 | 61,219,481.71 | 28.21% | -28.41% | -30.48% | 2.14% |
| Other | 28,165,660.18 | 24,082,838.08 | 14.50% | -24.04% | -14.81% | -9.26% |
| Classified by region: | | | | | | |

| | | | | | | |
|-----------------------|----------------|----------------|--------|---------|---------|--------|
| Hong Kong | 164,312,876.82 | 118,985,253.75 | 27.59% | -26.34% | -20.08% | -5.67% |
| Japan And South Korea | 174,565,387.20 | 125,933,416.50 | 27.86% | -7.35% | -0.83% | -4.75% |
| Southeast Asia | 848,509,846.77 | 614,443,480.93 | 27.59% | 12.17% | 21.71% | -5.67% |
| Europe and America | 408,541,183.02 | 294,640,258.72 | 27.88% | -13.31% | -7.34% | -4.65% |
| Other | 362,677,515.77 | 262,479,174.27 | 27.63% | -17.94% | -11.11% | -5.56% |
| China Mainland | 899,154,365.90 | 657,102,598.97 | 26.92% | -6.22% | -5.63% | -0.45% |

IV. 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.

V. Investment analysis

1. Investment in the equities of external parties

(1) External investment

☐Applicable ☒ Inapplicable

No such cases in the reporting period.

(2) Equity-holdings in financial enterprises

☐ Applicable ☒ Inapplicable

There was no any equity-holding in financial enterprises of the Company in the reporting period.

(3) Investment in securities

☐ Applicable ☒ Inapplicable

There was no investment in securities by the Company in the reporting period.

(4) Shareholdings in other listed companies

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

2. Information of trust management, derivative investment and entrusted loan

(1) Trust management

☐ Applicable ☒ Inapplicable

There was no trust management of the Company in the reporting period.

(2) Derivative investment

☒ 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 | Actual gain/loss in reporting period |
|----------|----------|----------------------------------|-------------------------------|---------------------------|----------------|-------------|---------------------------|-------------------------------|---------------------------|--|--------------------------------------|
| | | | | | | | | | | | |

| | | | | | | | | | | net assets (%) | |
|--|-------------|----|-----------------------------|---|--------------|--------------|-----------|--|------------|-------------------|----------|
| Commercial bank | Non-related | No | Forward exchange settlement | 165,620.39 | 14 Nov. 2014 | 4 May 2016 | 21,213.88 | | 56,219.98 | 8.18% | 2,105.44 |
| Commercial bank | Non-related | No | Foreign exchange trading | 6,763.94 | 11 Feb. 2015 | 15 Jun. 2015 | 0 | | 0 | | 7.89 |
| Commercial bank | Non-related | No | Option portfolio | 205,627.31 | 21 Oct. 2015 | 20 May 2016 | 31,835 | | 173,986.2 | 25.31% | 772.73 |
| Total | | | | 378,011.64 | -- | -- | 53,048.88 | | 230,206.18 | 33.49% | 2,886.06 |
| 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 | | | | | | | |
| 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.</p> <p>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</p> | | | | | | | |

| | |
|--|--|
| | <p>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 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 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</p> |
|--|--|

| | |
|---|---|
| | 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. |
| Changes of market prices or fair values in the reporting period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters. | <p>1. Up to 30 Jun. 2015, the Company held 31 undue financial derivative product contracts, totaling US\$ 398 million, including 19 forward settlement contracts worth US\$ 88.5 million and 46 foreign exchange option contracts worth US\$ 309.5 million (the latest expiration before May 2016). The financial derivative products above accounted for 33.40% of the closing net assets.</p> <p>2. From Jan. 2015 to Jun. 2015, the due financial derivative products of the Company totally equaled to US\$ 237.0483 million, all delivered on time, and the gain generated was RMB 28.8606 million. To be specific, the due forward settlement was US\$ 175 million, generating gain of RMB 21.0544 million; the due forward foreign exchange trading amount equaled to US\$ 11.0483 million, which generated gain of RMB 78,900; and the due foreign exchange options equaled to US\$ 51 million, which generated a gain of RMB 7.7273 million.</p> |
| Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the reporting period compared to the previous reporting period | Unchanged |
| Specific opinion from independent 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. |

(3) Entrusted loan

☐ Applicable ☒ Inapplicable

There was no entrusted loan of the Company in the reporting period.

3. Use of raised funds

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

4. 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 |
|---------------------------------------|-----------------|-------------|------------------------|--------------------|----------------|----------------|--------------------|------------------|---------------|
| Zibo Xinsheng Thermal Power Co., Ltd. | Subsidiary | Manufacture | Electricity, steam | 162,435,600.00 | 540,167,259.26 | 485,536,763.07 | 227,136,627.35 | 65,818,763.57 | 52,008,490.72 |

5. Significant projects of investments with non-raised funds

√ Applicable □ Inapplicable

Unit: RMB Ten thousand Yuan

| Project name | Total investment | Input for this period | Cumulative actual input as at the period-end | Project progress | Project earnings | Disclosure date (if any) | Disclosure index (if any) |
|---|------------------|-----------------------|--|------------------|------------------|--------------------------|---|
| A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project | 92,866 | 1,820.72 | 31,540.26 | 33.96% | | 23 Mar. 2012 | The “Announcement on Launching a New 230,000-spindle Production Line Project and a New 35,000-ingot Two-for-one Twisting Production Line Project” (announcement No. 2012-008) disclosed by the Company on http://www.cninfo.com.cn |
| Total | 92,866 | 1,820.72 | 31,540.26 | -- | -- | -- | -- |

VI. Predict the operating results of Jan.-Sep. 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

VII. 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

VIII. Explanation by the Board of Directors about the “non-standard audit report” for last year

☐ Applicable ☒ Inapplicable

IX. Implementation of profit allocation during the reporting period

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

☒ Applicable ☐ Inapplicable

Pursuant to the 2014 Profit Allocation Proposal reviewed and approved on the 2014 Annual Shareholders' General Meeting on 20 May 2015, the Company carried out the cash dividend distribution plan in Jun 2015, which was in compliance with the articles governing dividends in the Articles of Association of the Company. And the cash dividend policy did not change in the reporting period.

| Special statement about the cash dividend policy | |
|--|--------------|
| In compliance with the Company's Articles of Association and the resolution of the general meeting | Yes |
| Specific and clear dividend standard and ratio | Yes |
| Complete decision-making procedure and mechanism | Yes |
| Independent directors fulfilled their responsibilities and played their due role. | Yes |
| Minority shareholders have the chance to fully express their opinion and desire and their legal rights and interests were fully protected. | Yes |
| In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent. | Inapplicable |

X. Preplan for profit distribution and turning capital reserve into share capital for the reporting period

☐ Applicable ☒ Inapplicable

The Company planned not to distribute cash dividends or bonus shares or turn capital reserve into share capital for the reporting period.

XI. Researches, visits and interviews received in the reporting period

☒ Applicable ☐ Inapplicable

| Time | Place | Way of reception | Visitor type | Visitor | Main discussion and materials |
|------|-------|------------------|--------------|---------|-------------------------------|
|------|-------|------------------|--------------|---------|-------------------------------|

| | | | | | provided by the Company |
|--------------|--|----------|-------------|--|-------------------------------|
| 31 Mar. 2015 | | By phone | Institution | Everbright Securities Company Limited Li Jie Tang Shuangshuang | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Qilu Securities Han Liping | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Naturebridge Asset Hu Xin | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Shengwan Lingxing Co., Ltd. Liu Zongxun | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Sals Department of Jianghai Securities Liu Hua | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Hongdao Investment Ji Wei | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Chang Xin Asset Huang Wei | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Huijie Investment Xie Rui | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Jiuding Capital Chen Tao | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Jiangsu Xinye Shao Lei | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Yuancheng Investment Zeng Shang | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Minsheng Tonghui Asset Management Bai Fan | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Yintai Securities Zeng Liang | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Shanghai Right Share Xu Wenguang Han Ying | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Licheng Asset Weng Di | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Zongyi Runbang Liang Liang | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | TF Securities Ding Lingxiao | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | Zhong Ou Asset Zhang Bo | The Company's basic situation |
| 31 Mar. 2015 | | By phone | Institution | BOC International Asset Management Department Yao | The Company's |

| | | | | | |
|--------------|--|----------|-------------|---------------------------------------|----------------------------------|
| | | | | Yonghua | basic situation |
| 31 Mar. 2015 | | By phone | Institution | Ping An Endowment Insurance Sun Haiqi | The Company's basic situation |

Section V. Significant Events

I. Corporate governance

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

II. Litigations

Significant litigations and arbitrations

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

Other litigations

☐ Applicable ☒ Inapplicable

III. Media query

☐ Applicable ☒ Inapplicable

The Company was not involved in any media query in the reporting period.

IV. Bankruptcy or Reorganization Events

☐ Applicable ☒ Inapplicable

There Company was not involved in any bankruptcy or reorganization events in the reporting period.

V. Transaction in Assets

1. Purchase of assets

☐ Applicable ☒ Inapplicable

There is no purchase of assets in the Company during the reporting period

2. Sale of assets

☐ Applicable ☒ Inapplicable

There is no sale of assets in the Company during the reporting period.

3. Business combination

☐ Applicable ☒ Inapplicable

There is no business combination in the Company during the reporting period.

VI. Implementation and Influence of Equity Incentive Plan of the Company

☐ Applicable ☒ Inapplicable

There is no equity incentive plan and its implementation in the Company during the reporting period.

VII. Significant related-party transactions

1. Related-party transactions concerning routine operation

☒ Applicable ☐ Inapplicable

| Related party | Relationship | Type of the related-party transaction | Content of the related-party transaction | Pricing principle of the related-party transaction | Transaction price | Transaction amount (RMB Ten thousand) | Proportion in same kind of transactions (%) | Approved transaction line (RMB Ten thousand) | Over approved line or not | Settlement method of the related-party transaction | Similar Transaction market price receivable | Disclosure date | Disclosure index |
|---------------------|---|---------------------------------------|--|--|-------------------|---------------------------------------|---|--|---------------------------|--|---|-----------------|--|
| Lurui Fine Chemical | Controlling subsidiary of the controlling shareholder | Purchase of goods | Purchase of goods | Floated downward between 5% to 10% based on the weighted average price according to the purchase of the similar auxiliaries of the market of the Company | | 3,396.11 | 15.73% | 8,000 | No | Cash payment | | 31 Mar. 2015 | Please refer to the Announcement on the Daily Related Transitions of No. 2015-010 that disclosed on Securities Times, Shanghai Securities News, Ta Kung Pao and www.cninfo.com.cn |

| | | | | | | | | | | |
|--|--------------|----|----------|----|-------|----|----|----|----|----|
| Total | -- | -- | 3,396.11 | -- | 8,000 | -- | -- | -- | -- | -- |
| Details of large-amount refunds | Naught | | | | | | | | | |
| Where the total amount of routine related-party transactions to occur in the reporting period had been predicted by type, give the actual execution in the reporting period (if any) | Naught | | | | | | | | | |
| Explanation on significant difference between the transaction price and the market price (if any). | Inapplicable | | | | | | | | | |

2. Related-party transactions arising from asset acquisition or sale

☐ Applicable ☒ Inapplicable

The Company was not involved in any related-party transactions arising from asset acquisition or sale during the reporting period.

3. Related-party transitions with joint investments

☐ Applicable ☒ Inapplicable

The Company was not involved in any related-party transaction with joint investments during the reporting period.

4. Credits and liabilities with related parties

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

5. Other significant related-party transactions

☐ Applicable ☒ Inapplicable

No such cases in the reporting period.

VIII. Particulars about the non-operating occupation of funds by the controlling shareholder and other related parties of the Company

☐ Applicable ☒ Inapplicable

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

IX. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

☐ Applicable ☒ Inapplicable

There was no any trusteeship of the Company in the reporting period.

(2) Contract

☐ Applicable ☒ Inapplicable

There was no any contract of the Company in the reporting period.

(3) Leas

☐ Applicable ☒ Inapplicable

There was no any lease of the Company in the reporting period.

2. Guarantees provided by the company

☒ Applicable ☐ Inapplicable

Unit: RMB Ten Thousand Yuan

| Guarantees provided by the Company for external parties (excluding those for subsidiaries) | | | | | | | | |
|--|---|----------------------|--|-------------------------|--|--|-----------------|--------------------------------------|
| Guaranteed party | Disclosure date on relevant announcement of guaranteed amount | Amount for guarantee | Actual occurrence date (date of agreement) | Actual guarantee amount | Type of guarantee | Period of guarantee | Executed or not | Guarantee for a related party or not |
| Guarantees provided by the Company for its subsidiaries | | | | | | | | |
| Guaranteed party | Disclosure date on relevant announcement of guaranteed amount | Amount for guarantee | Actual occurrence date (date of agreement) | Actual guarantee amount | Type of guarantee | Period of guarantee | Executed or not | Guarantee for a related party or not |
| Lufeng Weaving & Dyeing Co., Ltd. | 13 May 2011 | 30,000 | 10 May 2011 | 332.85 | Guarantee of joint and several liability | From the date of implementing loan within credit line to the date of clearing off loan principal and | No | Yes |

| | | | | | | | | |
|--|---|----------------------|--|-------------------------|---|--|-----------------|--------------------------------------|
| | | | | | | interest | | |
| Luthai (HK) Co., Ltd. | 27 Mar. 2014 | 18,300 | 25 Mar. 2014 | 1,560.74 | Guarantee of joint and several liability | Two years since the approval of the board of the Company | No | Yes |
| Xinjiang Lu Thai Harvest Cotton Co., Ltd. | 10 Dec. 2014 | 25,000 | 9 Dec. 2014 | 0 | Guarantee of joint and several liability | Three years since the approval of the board of the Company | No | Yes |
| Total guarantee line approved for the subsidiaries during the reporting period (B1) | | | | 0 | Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2) | 1,436.49 | | |
| Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3) | | | | 73,300 | Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4) | 1,893.59 | | |
| Guarantees provided by subsidiaries for subsidiaries | | | | | | | | |
| Guaranteed party | Disclosure date on relevant announcement of guaranteed amount | Amount for guarantee | Actual occurrence date (date of agreement) | Actual guarantee amount | Type of guarantee | Period of guarantee | Executed or not | Guarantee for a related party or not |
| Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees) | | | | | | | | |
| Total guarantee line approved during the reporting period (A1+B1+C1) | | | | 0 | Total actual occurred amount of guarantee during the reporting period (A2+B2+C2) | | 1,436.49 | |
| Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3) | | | | 73,300 | Total actual guarantee balance at the end of the reporting period (A4+B4+C4) | | 1,893.59 | |
| Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company | | | | 0.29% | | | | |
| Of which: | | | | | | | | |

| | |
|--|---|
| Amount of guarantee provide for shareholders, actual controller and related parties (D) | 0 |
| Amount of guarantee provided directly or indirectly for guarantee objects with asset-liability ratio reaching over 70% (E) | 0 |
| Balance between 50% of net assets and total amount of guarantee which exceeds 50% of net assets (F) | 0 |
| Sum total of the above three guaranteed amounts (D+E+F) | 0 |
| Explanations about joint and several liability for repayment in respect of undue guarantee (if any) | According to "Agreement on Counter Guarantee" signed on 12 May 2011 between Lu Thai Company and Lu Feng Company, Lu Feng Company, the warrantee 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 provided the corresponding amount of counter guarantee for Lu Thai Company. |
| Explanation about external guarantee violating established procedure (if any) | The Company never provided guarantees for companies except controlling subsidiaries. |

Explanations about guarantees provided with complex methods

Naught

(1) Particulars about illegal external guarantee

☐ Applicable ☒ Inapplicable

There was no particular about illegal external guarantee of the Company in the reporting period.

3. Other significant contracts

☐ Applicable ☒ Inapplicable

There was no other significant contract of the Company in the reporting period.

4. Other significant transactions

☐ Applicable ☒ Inapplicable

There was no other significant transaction of the Company in the reporting period.

X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the reporting period or such commitments carried down into the reporting period

☐ Applicable ☒ Inapplicable

There was no such situation of the Company in the reporting period.

XI. Particulars about engagement and disengagement of CPAs firm

Whether the semi-annual financial report had been audited?

☐ Yes ☒ No

This semi-annual report is un-audited.

XII. Punishment and Rectification

☐ Applicable ☒ Inapplicable

There was no any punishment and rectification of the Company in the reporting period.

XIII. Reveal of the delisting risks of illegal or violation

☐ Applicable ☒ Inapplicable

There was no any delisting risk of illegal or violation of the Company in the reporting period.

XIV. Explanation about other significant matters

☒ Applicable ☐ Inapplicable

1. On 12 Jul., the Company held the 22nd Session of the 7th Board of Directors, which reviewed and approved the Proposal on Repurchasing Part of the A Share and B Share of the Company and at the same time published the Preplan on Repurchasing Part of the A Share and B Share of the Company, as well as submitted to the 1st 2015 Extraordinary General Meeting held on 5 Aug. 2015, which reviewed and approved the Proposal on Repurchasing Part of the A Share and B Share. For the details, please refer to the relevant announcements disclosed on the Securities Times, Shanghai Securities News, Ta Kung Pao and www.cninfo.com.cn on 14 Jul. 2015 and 6 Aug. 2015 by the Company..

2. The large shareholders and the Directors, Supervisors as well as the Senior Executives of the Company had promised on 10 Jul. that not to decrease the shareholding of the Company within 6 months since 10 Jul., and for the details, please refer to the relevant announcements disclosed on the Securities Times, Shanghai Securities News, Ta Kung Pao and www.cninfo.com.cn on 10 Jul. 2015 by the Company.

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in share capital

Unit: Share

| | Before this change | | Increase/decrease (+, -) | | | | | After the change | |
|--|--------------------|------------|--------------------------|-------------|---------------------------------------|----------|----------|------------------|------------|
| | Amount | Proportion | Issuance of new shares | Bonus share | Capitalization of public reserve fund | Other | Subtotal | Amount | Proportion |
| I. Shares subject to trading moratorium | 119,553,913 | 12.51% | | | | -155,423 | -155,423 | 119,398,490 | 12.49% |
| 3. Other domestic shares | 1,321,513 | 0.14% | | | | -155,423 | -155,423 | 1,166,090 | 0.12% |
| Shares held by domestic individuals | 1,321,513 | 0.14% | | | | -155,423 | -155,423 | 1,166,090 | 0.12% |
| 4. Shares held by overseas shareholders | 118,232,400 | 12.37% | | | | | | 118,232,400 | 12.37% |
| Including: Shares held by overseas legal persons | 118,232,400 | 12.37% | | | | | | 118,232,400 | 12.37% |
| II. Shares not subject to trading moratorium | 836,204,583 | 87.49% | | | | 155,423 | 155,423 | 836,360,006 | 87.51% |
| 1. Ordinary shares denominated in RMB | 560,643,787 | 58.66% | | | | 155,423 | 155,423 | 560,799,210 | 58.68% |
| 2. Domestically listed foreign shares | 275,560,796 | 28.83% | | | | | | 275,560,796 | 28.83% |
| III. Total of shares | 955,758,496 | 100.00% | | | | | | 955,758,496 | 100.00% |

Reasons of changes in shares

√ Applicable □ Inapplicable

The “Shares subject to trading moratorium - shares held by domestic individuals” decreased 155,423 shares owing to the resignation of the former Supervisory Board Chairman Zhu Lingwen and the adjustment on the locked shares of the Senior Executives by the Shenzhen Branch of CSDCC at the year-begin.

Approval of share changes

□ Applicable √ Inapplicable

Transfers in share changes

□ Applicable √ Inapplicable

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net

assets per share belonging to shareholder with ordinary share

☐ Applicable ☒ Inapplicable

Other contents that the Company thinks necessary or is asked by securities regulators to be disclosed

☐ Applicable ☒ Inapplicable

Explanation of the changes in the sum of the shares and the structure of the shareholders and the structure of the assets as well as the liabilities of the Company

☐ Applicable ☒ Inapplicable

II. Number of shareholders and shareholding

Unit: Share

| Total number of common shareholders at the end of the reporting period | 82,035 | | | Total number of preferred shareholders that had restored the voting right at the end of the reporting period (if any) (note 8) | | | 0 | |
|--|--------------------------------------|------------------------|---|--|---|---|--------------------------|------------------|
| Shareholding of common shareholders holding more than 5% shares or the top 10 of common shareholders | | | | | | | | |
| Name of shareholder | Nature of shareholder | Holding percentage (%) | Number of shareholding at the end of the reporting period | Increase and decrease of shares during reporting period | Number of shares held subject to trading moratorium | Number of shares held not subject to trading moratorium | Pledged or frozen shares | |
| | | | | | | | Status of shares | Number of shares |
| ZIBO LUCHENG TEXTILE INVESTMENT CO., LTD. | Domestic non-state-owned corporation | 14.69% | 140,353,583 | - | | 140,353,583 | Pledged | 13,000,000 |
| TAILUN (THAILAND) TEXTILE CO., LTD. | Foreign corporation | 12.37% | 118,232,400 | - | 118,232,400 | | | |
| LYNAS ASIA FUND | Foreign corporation | 1.76% | 16,864,475 | 500,000.00 | | 16,864,475 | | |
| VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS | Foreign corporation | 1.72% | 16,411,865 | - | | 16,411,865 | | |
| T.ROWE PRICE INTL DISCOVERY FUND | Foreign corporation | 1.70% | 16,213,718 | 16,213,718.00 | | 16,213,718 | | |
| NATIONAL ESTMINSTER BANK PLC AS DEP OF FS GREATER CHINA GROWTH FUND | Foreign corporation | 0.96% | 9,211,092 | 9,211,092.00 | | 9,211,092 | | |
| DBS VICKERS (HONG KONG) LTD A/C CLIENTS | Foreign corporation | 0.95% | 9,105,723 | 9,105,723.00 | | 9,105,723 | | |
| FIRST STATE CHINA A | Foreign | 0.86% | 8,231,549 | 94,577.00 | | 8,231,549 | | |

| | | | | | | | | |
|---|--------------------------------------|--|--|--------------|-----------------------------------|-----------|-------------|--|
| SHARES FUND | corporation | | | | | | | |
| VALUE PARTNERS CLASSIC FUND | Foreign corporation | 0.85% | 8,156,383 | - | | 8,156,383 | | |
| HUA AN NEW SILK ROAD THEME EQUITY SECURITIES INVESTMENT FUNDS | Domestic non-state-owned corporation | 0.84% | 8,016,900 | 8,016,900.00 | | 8,016,900 | | |
| 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) | | N/A | | | | | | |
| 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. | | | | | | |
| Particulars about shares held by top 10 common shareholders not subject to trading moratorium | | | | | | | | |
| Name of shareholder | | | Number of shares held not subject to trading moratorium at the end of the period | | Type of share | | | |
| | | | | | Type of share | | Number | |
| ZIBO LUCHENG TEXTILE INVESTMENT CO., LTD. | | | 140,353,583 | | RMB ordinary share | | 140,353,583 | |
| LYNAS ASIA FUND | | | 16,864,475 | | Domestically listed foreign share | | 16,864,475 | |
| VALUE PARTNERS HIGH-DIVIDEND STOCKS FUNDS | | | 16,411,865 | | Domestically listed foreign share | | 16,411,865 | |
| T.ROWE PRICE INTL DISCOVERY FUND | | | 16,213,718 | | Domestically listed foreign share | | 16,213,718 | |
| NATIONAL WESTMINSTER BANK PLC AS DEP OF FS GREATER CHINA GROWTH FUND | | | 9,211,092 | | Domestically listed foreign share | | 9,211,092 | |
| DBS VICKERS (HONG KONG) LTD A/C CLIENTS | | | 9,105,723 | | Domestically listed foreign share | | 9,105,723 | |
| FIRST STATE CHINA A SHARES FUND | | | 8,231,549 | | RMB ordinary share | | 8,231,549 | |

| | | | |
|--|--|------------------------------|-----------------------|
| VALUE PARTNERS CLASSIC FUND | 8,156,383 | Domestically listed share | foreign 8,156,383 |
| HUA AN NEW SILK ROAD THEME EQUITY SECURITIES INVESTMENT FUNDS | 8,016,900 | RMB share | ordinary 8,016,900 |
| HTHK-MANULIFE CHINA VALUE FUND | 6,858,138 | Domestically listed share | foreign 6,858,138 |
| Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert | Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual controller. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder as well as sponsor of foreign capital of the Company. All of other shareholders are people holding circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders. | | |
| Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4) | N/A | | |

Did any top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company carry out an agreed buy-back in the reporting period?

☐ Yes ☒ No

The top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company had not carried out any agreed buy-back in the reporting period.

III. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

☐ Applicable ☒ Inapplicable

There was no any change of the controlling shareholder of the Company in the reporting period.

Change of the actual controller in the reporting period

☐ Applicable ☒ Inapplicable

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

IV. Particulars on shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons

☐ Applicable ☒ Inapplicable

Within the scope known to the Company, there was no any shareholding increase scheme during the reporting period proposed or implemented by the shareholders and act-in-concert persons.

Section VII. Preference Shares

☐ Applicable ☒ Inapplicable

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

Section VIII. Directors, Supervisors, Senior Management Staffs

I. Changes in shareholding of directors, supervisors and senior management staffs

√ Applicable □ Inapplicable

| Name | Title | Incumbent or not | Shares held at the beginning of the reporting period | Increase of shares in this reporting period (share) | Decrease of shares in this reporting period | Shares held at the end of the reporting period | Restricted stock conferred at the period-begin (share) | Restricted stock conferred in this period (share) | Restricted stock conferred at the period-end (share) |
|--------------------|--|------------------|--|---|---|--|--|---|--|
| Liu Shizhen | Chairman of the Board | Incumbent | 437,295 | | | 437,295 | | | |
| Xu Zhinan | Vice Chairman of the Board | Incumbent | | | | | | | |
| Liu Zibin | Director/General Manager | Incumbent | 148,290 | | | 148,290 | | | |
| Fujiwara Hidetoshi | Director/Senior Consultant | Incumbent | | | | | | | |
| Chen Ruimou | Director | Incumbent | | | | | | | |
| Zeng Facheng | Director | Incumbent | | | | | | | |
| Wang Fangshui | Director/Deputy General Manager/Chief Engineer | Incumbent | 151,353 | | 4,600 | 146,753 | | | |
| Qin Guiling | Director/Deputy General Manager/Secretary to the Board | Incumbent | 108,789 | | 1,747 | 107,042 | | | |
| Zhou Zhiji | Independent Director | Incumbent | | | | | | | |
| Wang Lei | Independent Director | Incumbent | | | | | | | |
| Xu Jianjun | Independent | Incumbent | | | | | | | |

| | | | | | | | | | |
|-----------------|---|-----------|---------|--|--------|---------|--|--|--|
| | Director | ent | | | | | | | |
| Zhang Chengzhu | Independent Director | Incumbent | | | | | | | |
| Zhao Yao | Independent Director | Incumbent | | | | | | | |
| Li Tongmin | Supervisory Board Chairman | Incumbent | 176,164 | | | 176,164 | | | |
| Liu Zilong | Supervisor | Incumbent | | | | | | | |
| Dong Shibing | Supervisor | Incumbent | 5,000 | | | 5,000 | | | |
| Zhang Jianxiang | Vice Chairman | Incumbent | 63,400 | | 11,250 | 52,150 | | | |
| Zhang Hongmei | Chief Accountant | Incumbent | 88,100 | | | 88,100 | | | |
| Wang Jiabin | Assistant of General Manager, Manager of Production Department | Incumbent | 83,700 | | | 83,700 | | | |
| Zhang Shougang | Assistant of General Manager, Manager of Clothing-making Department | Incumbent | 83,100 | | 10,000 | 73,100 | | | |
| Zhang Zhanqi | Assistant of General Manager, General Manager of Lufeng Company | Incumbent | 80,300 | | 0 | 80,300 | | | |
| Zhang Kemin | Financial Manager | Incumbent | 95,200 | | 17,500 | 77,700 | | | |
| Pan Pingli | Manager of the Third Department of International Business | Incumbent | 126,096 | | | 126,096 | | | |
| Lu Yongchen | Vice President of Lufeng Company | Incumbent | 52,900 | | 19,150 | 33,750 | | | |
| Yu Shouzheng | Manager of Energy Business | Incumbent | 83,100 | | | 83,100 | | | |

| | Unit | | | | | | | | |
|--------------------|--|-----------|-----------|---|--------|-----------|---|---|---|
| Quan Peng | Marketing Manager | Incumbent | 37,000 | | 9,250 | 27,750 | | | |
| Wang Changzhao | Manager of the First Department of International Business | Incumbent | 22,500 | | | 22,500 | | | |
| Fujiwara Matsuzaka | Manager of the Second Department of International Business | Incumbent | | | | | | | |
| Shang Chenggan | Manager of Enterprises Management Department | Incumbent | 30,000 | | | 30,000 | | | |
| Total | -- | -- | 1,872,287 | 0 | 73,497 | 1,798,790 | 0 | 0 | 0 |

II. Changes in directors, supervisors and senior management staffs

☐ Applicable ☒ Inapplicable

There was no change in directors, supervisors and senior management staffs, for the specific information please refer to the 2014 Annual Report.

IX. Financial Report

I. Audit report

Has this semi-annual report been audited?

☐ Yes ☒ No

The semi-annual financial report has not been audited.

II. Financial statements

Currency unit for the statements in the notes to these financial statements: RMB Yuan

1. Consolidated balance sheet

Prepared by Luthai Textile Co., Ltd.

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---|------------------|------------------|
| Current Assets: | | |
| Monetary funds | 617,438,330.66 | 666,293,798.30 |
| Financial assets measured at fair value of which changes are recorded in current profits and losses | 8,940,500.00 | |
| Derivative financial assets | | |
| Notes receivable | 156,152,198.91 | 113,804,477.43 |
| Accounts receivable | 226,051,838.68 | 211,970,554.10 |
| Accounts paid in advance | 103,892,791.25 | 174,865,932.88 |
| Interests receivable | 276,998.88 | |
| Dividend receivable | | |
| Other accounts receivable | 52,707,824.63 | 63,378,909.28 |
| Financial assets purchased under agreements to resell | | |
| Inventories | 1,761,317,044.76 | 1,752,570,382.21 |
| Assets held for sale | | |
| Non-current assets due within 1 year | | |
| Other current assets | 42,693,828.68 | 5,167,324.98 |
| Total current assets | 2,969,471,356.45 | 2,988,051,379.18 |
| 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 | 5,480,998.00 | 6,980,998.00 |
| Long-term equity investment | | |
| Investing real estate | 4,821,040,273.78 | 4,930,848,056.04 |
| Fixed assets | 169,986,070.61 | 123,585,226.80 |
| Construction in progress | 36,271,623.62 | 19,885,765.41 |
| Engineering materials | | |
| Disposal of fixed assets | 1,186,002.52 | 1,310,500.00 |
| Production biological assets | | |
| Oil-gas assets | 369,277,715.52 | 373,760,347.71 |
| Intangible assets | | |
| R&D expense | 20,613,803.29 | 20,613,803.29 |
| Goodwill | 62,915,183.57 | 28,319,033.27 |
| Long-term deferred expenses | 49,166,206.77 | 49,963,446.84 |
| Deferred income tax assets | 12,781,283.00 | 16,910,237.34 |
| Other non-current assets | 5,616,161,760.68 | 5,639,620,014.70 |
| Total of non-current assets | 8,585,633,117.13 | 8,627,671,393.88 |
| Total assets | | |
| Current liabilities: | 746,589,910.47 | 517,452,946.24 |
| Short-term borrowings | | 3,306,200.00 |
| Financial liabilities measured at fair value of which changes are recorded in current profits and losses | | |
| Derivative financial liabilities | 7,199,537.34 | 7,421,979.09 |
| Notes payable | 236,608,151.92 | 344,082,239.16 |
| Accounts payable | 91,532,874.42 | 82,176,191.45 |
| Accounts received in advance | | |
| Financial assets sold for repurchase | | |
| Handling charges and commissions payable | 233,026,460.79 | 261,539,206.93 |
| Payroll payable | 73,144,940.64 | 74,052,405.97 |
| Tax payable | 1,482,653.25 | 511,373.44 |
| Interest payable | 441,113.64 | 441,456.54 |
| Dividend payable | 68,269,754.38 | 58,075,873.18 |
| Liabilities divided as held for sale | | |

| | | |
|--|------------------|------------------|
| Non-current liabilities due within 1 year | 96,900,005.44 | 100,733,898.72 |
| Other current liabilities | | |
| Total current liabilities | 1,555,195,402.29 | 1,449,793,770.72 |
| Non-current liabilities: | | |
| Long-term borrowings | | 9,904,645.59 |
| Long-term payables | | 220,000.00 |
| Long-term payroll payables | 86,564,776.96 | 80,360,457.97 |
| Specific payables | | |
| Estimated liabilities | | |
| Deferred income | 65,573,951.20 | 67,057,221.40 |
| Deferred income tax liabilities | 3,405,002.86 | 2,064,713.02 |
| Other non-current liabilities | 1,840,000.00 | 1,840,000.00 |
| Total non-current liabilities | 157,383,731.02 | 161,447,037.98 |
| Total liabilities | 1,712,579,133.31 | 1,611,240,808.70 |
| Owners' equity: | | |
| Share capital | 955,758,496.00 | 955,758,496.00 |
| Capital reserves | 1,007,080,654.01 | 1,007,039,561.13 |
| Less: Treasury stock | | |
| Other comprehensive income | -7,865,301.14 | -8,440,178.37 |
| Specific reserves | | |
| Surplus reserves | 742,347,832.47 | 742,347,832.47 |
| Provisions for general risks | | |
| Retained profits | 3,758,708,803.04 | 3,892,066,534.32 |
| Total equity attributable to owners of the Company | 6,456,030,484.38 | 6,588,772,245.55 |
| Minority interests | 417,023,499.44 | 427,658,339.63 |
| Total owners' equity | 6,873,053,983.82 | 7,016,430,585.18 |
| Total liabilities and owners' equity | 8,585,633,117.13 | 8,627,671,393.88 |

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 | Closing balance | Opening balance |
|------|-----------------|-----------------|
|------|-----------------|-----------------|

| | | |
|---|------------------|------------------|
| Current Assets: | | |
| Monetary funds | 241,963,936.23 | 250,409,717.93 |
| Financial assets measured at fair value of which changes are recorded in current profits and losses | 8,762,300.00 | |
| Derivative financial assets | | |
| Notes receivable | 127,273,673.23 | 87,341,876.69 |
| Accounts receivable | 259,499,016.39 | 321,897,074.61 |
| Accounts paid in advance | 143,781,552.70 | 193,383,406.51 |
| Interest receivable | | |
| Dividend receivable | | |
| Other accounts receivable | 77,139,936.18 | 28,049,517.79 |
| Inventories | 1,280,645,343.77 | 1,206,795,514.65 |
| Assets held for sale | | |
| Non-current assets due within 1 year | | |
| Other current assets | 18,083,658.35 | 1,017,648.28 |
| Total current assets | 2,157,149,416.85 | 2,088,894,756.46 |
| 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 | 1,360,779,450.91 | 1,170,861,572.56 |
| Investing real estate | | |
| Fixed assets | 3,046,661,640.69 | 3,115,567,670.72 |
| Construction in progress | 97,797,817.70 | 77,701,863.38 |
| Engineering materials | 32,012,487.22 | 18,626,397.04 |
| Disposal of fixed assets | | |
| Intangible assets | 235,637,881.13 | 239,561,216.15 |
| R&D expense | | |
| Goodwill | | |
| Long-term deferred expenses | | |
| Deferred income tax assets | 30,118,819.09 | 31,683,250.78 |
| Other non-current assets | 5,406,401.00 | 5,406,401.00 |
| Total of non-current assets | 4,863,697,097.74 | 4,714,690,971.63 |
| Total assets | 7,020,846,514.59 | 6,803,585,728.09 |

| | | |
|--|------------------|------------------|
| Current liabilities: | | |
| Short-term borrowings | 481,283,192.20 | 109,116,402.18 |
| 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 | 1,779,687.93 | 4,126,949.64 |
| Accounts payable | 373,984,751.33 | 370,179,503.31 |
| Accounts received in advance | 61,500,042.12 | 42,230,252.30 |
| Payroll payable | 183,964,773.56 | 201,779,896.86 |
| Tax payable | 53,233,329.65 | 38,755,976.56 |
| Interest payable | 1,119,526.14 | 401,695.08 |
| Dividend payable | 441,113.64 | 441,456.54 |
| Other accounts payable | 25,812,886.00 | 22,996,300.29 |
| Liabilities held for sale | | |
| Non-current liabilities due within 1 year | 96,900,005.44 | 100,733,898.72 |
| Other current liabilities | | |
| Total current liabilities | 1,280,019,308.01 | 893,837,331.48 |
| Non-current liabilities: | | |
| Long-term borrowings | | 9,904,645.59 |
| Long-term payables | | |
| Long-term payroll payables | 86,564,776.96 | 80,360,457.97 |
| Specific payables | | |
| Estimated liabilities | | |
| Deferred income | 30,131,911.45 | |
| Deferred income tax liabilities | 1,314,345.00 | |
| Other non-current liabilities | | 30,469,481.47 |
| Total non-current liabilities | 118,011,033.41 | 120,734,585.03 |
| Total liabilities | 1,398,030,341.42 | 1,014,571,916.51 |
| Owners' equity: | | |
| Share capital | 955,758,496.00 | 955,758,496.00 |
| Capital reserves | 1,013,432,562.79 | 1,013,392,242.22 |
| Less: Treasury stock | | |
| Other comprehensive income | | |
| Specific reserves | | |

| | | |
|--------------------------------------|------------------|------------------|
| Surplus reserves | 742,347,832.47 | 742,347,832.47 |
| Retained profits | 2,911,277,281.91 | 3,077,515,240.89 |
| Total owners' equity | 5,622,816,173.17 | 5,789,013,811.58 |
| Total liabilities and owners' equity | 7,020,846,514.59 | 6,803,585,728.09 |

3. Consolidated income statement

Unit: RMB Yuan

| Item | Jan.-Jun. 2015 | Jan.-Jun 2014 |
|---|------------------|------------------|
| I. Total operating revenues | 2,941,835,897.16 | 3,114,226,581.62 |
| Including: Sales income | 2,941,835,897.16 | 3,114,226,581.62 |
| II. Total operating costs | 2,575,938,766.41 | 2,551,640,524.67 |
| Including: Cost of sales | 2,133,022,201.07 | 2,137,850,293.37 |
| Taxes and associate charges | 24,644,712.24 | 23,543,589.95 |
| Selling and distribution expenses | 97,645,409.00 | 93,108,145.82 |
| Administrative expenses | 311,323,333.58 | 294,932,674.63 |
| Financial expenses | 9,021,706.88 | 7,441,307.46 |
| Asset impairment loss | 281,403.64 | -5,235,486.56 |
| Add: Gain/(loss) from change in fair value ("-" means loss) | 12,246,700.00 | -30,999,150.00 |
| Gain/(loss) from investment ("-" means loss) | 28,860,565.88 | 21,278,949.08 |
| Including: share of profits in associates and joint ventures | | |
| Foreign exchange gains ("-" means loss) | | |
| III. Business profit ("-" means loss) | 407,004,396.63 | 552,865,856.03 |
| Add: non-operating income | 10,120,794.71 | 19,826,768.24 |
| Including: Gains on disposal of non-current assets | 809,936.96 | 50,957.05 |
| Less: non-operating expense | 4,245,414.06 | 3,095,122.00 |
| Including: Losses on disposal of non-current assets | 3,508,372.92 | 2,054,591.12 |
| IV. Total profit ("-" means loss) | 412,879,777.28 | 569,597,502.27 |
| Less: Income tax expense | 67,469,529.96 | 88,060,378.95 |
| V. Net profit ("-" means loss) | 345,410,247.32 | 481,537,123.32 |
| Net profit attributable to owners of the Company | 344,521,516.72 | 476,880,256.93 |
| Minority shareholders' income | 888,730.60 | 4,656,866.39 |
| VI. After-tax net amount of other comprehensive incomes | 574,877.23 | -3,361.77 |
| After-tax net amount of other comprehensive incomes attributable to owners of the Company | 574,877.23 | -3,361.77 |

| | | |
|---|----------------|----------------|
| (I) Other comprehensive incomes that will not be reclassified into gains and losses | 0.00 | 0.00 |
| 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 | 574,877.23 | -3,361.77 |
| 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 | 574,877.23 | -3,361.77 |
| 6. Other | | |
| After-tax net amount of other comprehensive incomes attributable to minority shareholders | 0.00 | 0.00 |
| VII. Total comprehensive incomes | 345,985,124.55 | 481,533,761.55 |
| Attributable to owners of the Company | 345,096,393.95 | 476,876,895.16 |
| Attributable to minority shareholders | 888,730.60 | 4,656,866.39 |
| VIII. Earnings per share | | |
| (I) Basic earnings per share | 0.36 | 0.50 |
| (II) Diluted earnings per share | 0.36 | 0.50 |

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 RMB 0.00, with the corresponding amount for the last period being RMB 0.00.

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 | Jan.-Jun. 2015 | Jan.-Jun 2014 |
|------|----------------|---------------|
|------|----------------|---------------|

| | | |
|---|------------------|------------------|
| I. Total sales | 2,349,612,417.89 | 2,318,199,524.10 |
| Less: cost of sales | 1,758,744,212.34 | 1,597,127,786.85 |
| Business taxes and surcharges | 19,480,809.00 | 18,087,930.63 |
| Distribution expenses | 45,373,972.47 | 42,177,311.93 |
| Administrative expenses | 219,608,083.56 | 207,830,441.84 |
| Financial costs | 3,375,063.52 | -4,724,701.39 |
| Impairment loss | -134,329.66 | -1,149,272.05 |
| Add: gain/(loss) from change in fair value ("-" means loss) | 11,837,300.00 | -25,806,330.00 |
| Gain/(loss) from investment ("-" means loss) | 44,516,145.09 | 18,121,509.04 |
| Including: income from investment on associates and joint ventures | | |
| II. Business profit ("-" means loss) | 359,518,051.75 | 451,165,205.33 |
| Add: non-operating income | 5,545,066.24 | 16,288,206.88 |
| Including: Gains on disposal of non-current assets | 387,422.95 | 14,336.05 |
| Less: non-operating expense | 3,678,908.31 | 2,695,250.29 |
| Including: Losses on disposal of non-current assets | 3,415,846.41 | 2,052,914.51 |
| III. Total profit ("-" means loss) | 361,384,209.68 | 464,758,161.92 |
| Less: Income tax expense | 49,742,920.66 | 66,308,533.24 |
| IV. Net profit ("-" means loss) | 311,641,289.02 | 398,449,628.68 |
| 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 | 311,641,289.02 | 398,449,628.68 |
| VII. Earnings per share | | |
| (I) Basic earnings per share | 0.33 | 0.42 |
| (II) Diluted earnings per share | 0.33 | 0.42 |

5. Consolidated cash flow statement

Unit: RMB Yuan

| Item | Jan.-Jun. 2015 | Jan.-Jun 2014 |
|---|------------------|------------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of commodities and rendering of service | 2,992,674,009.04 | 3,568,438,894.82 |
| Tax refunds received | 93,858,466.25 | 97,652,110.13 |
| Other cash received relating to operating activities | 25,282,652.25 | 34,150,812.11 |
| Subtotal of cash inflows from operating activities | 3,111,815,127.54 | 3,700,241,817.06 |
| Cash paid for goods and services | 1,691,745,901.39 | 2,273,582,667.90 |
| Cash paid to and for employees | 718,208,701.78 | 694,142,394.03 |
| Various taxes paid | 198,822,332.08 | 197,273,969.71 |
| Other cash payment relating to operating activities | 140,733,568.16 | 136,200,221.55 |
| Subtotal of cash outflows from operating activities | 2,749,510,503.41 | 3,301,199,253.19 |
| Net cash flows from operating activities | 362,304,624.13 | 399,042,563.87 |
| 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 | 1,737,285.10 | 7,702,214.30 |
| Net cash received from disposal of subsidiaries or other business units | | |
| Other cash received relating to investing activities | 30,578,737.15 | 25,956,477.08 |
| Subtotal of cash inflows from investing activities | 32,316,022.25 | 33,778,691.38 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 160,460,938.77 | 370,150,102.18 |
| 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 | 160,460,938.77 | 370,150,102.18 |
| Net cash flows from investing activities | -128,144,916.52 | -336,371,410.80 |
| III. Cash Flows from Financing Activities: | | |
| Cash received from capital contributions | 500,000.00 | 500,000.00 |
| Including: Cash received from minority shareholder investments by subsidiaries | | |
| Cash received from borrowings | 993,805,040.42 | 532,825,398.05 |
| Cash received from issuance of bonds | | |
| Other cash received relating to financing activities | 16,000,000.00 | 12,000,000.00 |
| Subtotal of cash inflows from financing activities | 1,010,305,040.42 | 545,325,398.05 |
| Repayment of borrowings | 787,580,420.34 | 627,477,883.01 |
| Cash paid for interest expenses and distribution of dividends or profit | 490,595,877.74 | 374,793,800.40 |
| Including: dividends or profit paid by subsidiaries to minority shareholders | | |
| Other cash payments relating to financing activities | 89,026,946.69 | 37,829,195.86 |
| Sub-total of cash outflows from financing activities | 1,367,203,244.77 | 1,040,100,879.27 |
| Net cash flows from financing activities | -356,898,204.35 | -494,775,481.22 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | 1,756,082.41 | 4,500,943.46 |
| V. Net increase in cash and cash equivalents | -120,982,414.33 | -427,603,384.69 |
| Add: Opening balance of cash and cash equivalents | 649,393,798.30 | 869,909,505.89 |
| VI. Closing balance of cash and cash equivalents | 528,411,383.97 | 442,306,121.20 |

6. Cash flow statement of the Company

Unit: RMB Yuan

| Item | Jan.-Jun. 2015 | Jan.-Jun 2014 |
|---|------------------|------------------|
| I. Cash flows from operating activities: | | |
| Cash received from sale of commodities and rendering of service | 2,336,436,365.15 | 2,383,169,213.86 |
| Tax refunds received | 73,075,990.33 | 73,631,880.88 |
| Other cash received relating to operating activities | 4,527,263.52 | 16,447,073.61 |
| Subtotal of cash inflows from operating activities | 2,414,039,619.00 | 2,473,248,168.35 |
| Cash paid for goods and services | 1,308,152,825.95 | 1,561,524,048.28 |
| Cash paid to and for employees | 539,106,972.54 | 514,917,192.50 |

| | | |
|---|------------------|------------------|
| Various taxes paid | 79,761,593.87 | 109,178,916.64 |
| Other cash payment relating to operating activities | 139,312,208.90 | 75,754,434.35 |
| Subtotal of cash outflows from operating activities | 2,066,333,601.26 | 2,261,374,591.77 |
| Net cash flows from operating activities | 347,706,017.74 | 211,873,576.58 |
| 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 | 1,256,075.10 | 7,701,414.30 |
| Net cash received from disposal of subsidiaries or other business units | | |
| Other cash received relating to investing activities | 27,204,025.23 | 22,068,024.08 |
| Subtotal of cash inflows from investing activities | 28,460,100.33 | 29,769,438.38 |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 70,584,062.37 | 276,799,324.68 |
| Cash paid for investment | 188,902,292.69 | 46,904,386.53 |
| Net cash paid to acquire subsidiaries and other business units | | |
| Other cash payments relating to investing activities | | |
| Subtotal of cash outflows from investing activities | 259,486,355.06 | 323,703,711.21 |
| Net cash flows from investing activities | -231,026,254.73 | -293,934,272.83 |
| III. Cash Flows from Financing Activities: | | |
| Cash received from capital contributions | | |
| Cash received from borrowings | 582,862,081.60 | 385,959,946.25 |
| Cash received from issuance of bonds | | |
| Other cash received relating to financing activities | | |
| Subtotal of cash inflows from financing activities | 582,862,081.60 | 385,959,946.25 |
| Repayment of borrowings | 233,690,218.65 | 100,813,799.73 |
| Cash paid for interest expenses and distribution of dividends or profit | 473,634,519.64 | 366,017,598.04 |
| Other cash payments relating to financing activities | 61,013,728.00 | 25,829,195.86 |
| Sub-total of cash outflows from financing activities | 768,338,466.29 | 492,660,593.63 |
| Net cash flows from financing activities | -185,476,384.69 | -106,700,647.38 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | 237,111.98 | 4,175,149.60 |
| V. Net increase in cash and cash equivalents | -68,559,509.70 | -184,586,194.03 |

| | | |
|---|----------------|----------------|
| Add: Opening balance of cash and cash equivalents | 249,509,717.93 | 503,157,687.92 |
| VI. Closing balance of cash and cash equivalents | 180,950,208.23 | 318,571,493.89 |

7. Consolidated statement of changes in owners' equity

Jan.-Jun. 2015

Unit: RMB Yuan

| Item | Jan.-Jun. 2015 | | | | | | | | | | | | |
|---|--|--------------------------|------------------------------|-------|------------------|----------------------|----------------------------|------------------|-----------------|----------------------|------------------|--------------------|----------------------|
| | Equity attributable to owners of the Company | | | | | | | | | | | Minority interests | Total owners' equity |
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury stock | Other comprehensive income | Specific reserve | Surplus reserve | General risk reserve | Retained profit | | |
| | | Preferred shares | Perpetual capital securities | Other | | | | | | | | | |
| I. Balance at the end of the previous year | 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 |
| Add: change of accounting policy | | | | | | | | | | | | | |
| Correction of errors in previous periods | | | | | | | | | | | | | |
| Business combination under the same control | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| II. Balance at the period-begin | 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 |
| III. Increase/ | | | | | 41,092.88 | | 574,877.23 | | | | -133,357,731.28 | -10,634,840.19 | -143,376,601.36 |

| | | | | | | | | | | | | | |
|---|--|--|--|--|-----------|------------|--|--|--|--|-----------------|----------------|-----------------|
| decrease in the period (“-” means decrease) | | | | | | | | | | | | | |
| (I) Total amount of the comprehensive income | | | | | | 574,877.23 | | | | | 344,521,516.72 | 888,730.60 | 345,985,124.55 |
| (II) Capital paid in and reduced by owners | | | | | 41,092.88 | | | | | | | 500,000.00 | 541,092.88 |
| 1. Common shares invested by the shareholders | | | | | | | | | | | | 500,000.00 | 500,000.00 |
| 2. Capital invested by the owners of other equity instruments | | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owners’ equity | | | | | | | | | | | | | |
| 4. Others | | | | | 41,092.88 | | | | | | | | 41,092.88 |
| (III) Profit distribution | | | | | | | | | | | -477,879,248.00 | -12,023,570.79 | -489,902,818.79 |

| | | | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|-----------------|----------------|-----------------|
| 1. Appropriations to surplus reserves | | | | | | | | | | | | | |
| 2. Appropriations to general risk provisions | | | | | | | | | | | | | |
| 3. Appropriations to owners (or shareholders) | | | | | | | | | | | -477,879,248.00 | -12,023,570.79 | -489,902,818.79 |
| 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 | | | | 1,007,080,654.01 | | -7,865,301.14 | | 742,347,832.47 | | 3,758,708,803.04 | 417,023,499.44 | 6,873,053,983.82 |

Jan.-Jun. 2014

Unit: RMB Yuan

| Item | Jan.-Jun. 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 income | Specific reserve | Surplus reserve | General risk reserve | Retained profit | | |
| | | Preferred shares | Perpetual capital securities | 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 combination under the same control | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| II. Balance at the period-begin | 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 amount of the comprehensive income | | | | | | | -945,858.01 | | | | 958,725,402.84 | 20,651,778.73 | 978,431,323.56 |
| (II) Capital paid in and reduced by owners | -42,000.00 | | | | 6,184,755.47 | | | | | | | 20,539,282.79 | 26,682,038.26 |
| 1. Common shares invested by the shareholders | -42,000.00 | | | | -169,050.00 | | | | | | | 20,539,282.79 | 20,328,232.79 |
| 2. Capital invested by the owners of other | | | | | | | | | | | | | |

| | | | | | | | | | | | | | |
|---|--|--|--|--|--------------|--|--|--|---------------|--|-----------------|----------------|-----------------|
| equity instruments | | | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | 6,041,853.38 | | | | | | | | 6,041,853.38 |
| 4. Others | | | | | 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 |

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

Jan.-Jun. 2015

Unit: RMB Yuan

| Item | Jan.-Jun. 2015 | | | | | | | | | | |
|---|----------------|--------------------------|------------------------------------|-------|------------------|----------------------------|----------------------------------|---------------------|-----------------|------------------|-------------------------|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury stock | Other comprehensive income | Specific reserve | Surplus reserve | Retained profit | Total owners' equity |
| | | Preferred shares | Perpetual capital securities | Other | | | | | | | |
| I. Balance at the end of the previous year | 955,758,496.00 | | | | 1,013,392,242.22 | | | | 742,347,832.47 | 3,077,515,240.89 | 5,789,013,811.58 |
| Add: change of accounting policy | | | | | | | | | | | |
| Correction of errors in previous periods | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| II. Balance at the period-begin | 955,758,496.00 | | | | 1,013,392,242.22 | | | | 742,347,832.47 | 3,077,515,240.89 | 5,789,013,811.58 |
| III. Increase/ decrease in the period ("-" means decrease) | | | | | 40,320.57 | | | | | -166,237,958.98 | -166,197,638.41 |
| (I) Total amount of the comprehensive income | | | | | | | | | | 311,641,289.02 | 311,641,289.02 |
| (II) Capital paid in and reduced by owners | | | | | 40,320.57 | | | | | | 40,320.57 |
| 1. Common shares invested by the shareholders | | | | | | | | | | | |
| 2. Capital invested by the owners of other equity instruments | | | | | | | | | | | |
| 3. Amounts of share-based | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|-----------|--|--|--|--|-----------------|-----------------|
| payments recognized in owners' equity | | | | | | | | | | | |
| 4. Others | | | | | 40,320.57 | | | | | | 40,320.57 |
| (III) Profit distribution | | | | | | | | | | -477,879,248.00 | -477,879,248.00 |
| 1. Appropriations to surplus reserves | | | | | | | | | | | |
| 2. Appropriations to general risk provisions | | | | | | | | | | -477,879,248.00 | -477,879,248.00 |
| 3. Appropriations to owners (or shareholders) | | | | | | | | | | | |
| 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 | | | | | | | | | | | |

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|------------|----------------|--|--|--|------------------|--|--|--|----------------|------------------|------------------|
| (VI) Other | 955,758,496.00 | | | | 1,013,432,562.79 | | | | 742,347,832.47 | 2,911,277,281.91 | 5,622,816,173.17 |
|------------|----------------|--|--|--|------------------|--|--|--|----------------|------------------|------------------|

Jan.-Jun. 2014

Unit: RMB Yuan

| Item | Jan.-Jun. 2014 | | | | | | | | | | |
|--|----------------|--------------------------|------------------------------------|-------|------------------|----------------------------|----------------------------------|---------------------|-----------------|------------------|-------------------------|
| | Share capital | Other equity instruments | | | Capital reserve | Less: treasury stock | Other comprehensive income | Specific reserve | Surplus reserve | Retained profit | Total owners' equity |
| | | Preferred shares | Perpetual capital securities | 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 period-begin | 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 amount of the comprehensive income | | | | | | | | | | 828,094,212.18 | 828,094,212.18 |
| (II) Capital paid in and reduced by owners | -42,000.00 | | | | 6,184,755.47 | | | | | | 6,142,755.47 |
| 1. Common shares invested by the shareholders | -42,000.00 | | | | -169,050.00 | | | | | | -211,050.00 |
| 2. Capital invested by the | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--------------|--|--|--|---------------|-----------------|-----------------|
| owners of other equity instruments | | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | 6,041,853.38 | | | | | | 6,041,853.38 |
| 4. Others | | | | | 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 general risk provisions | | | | | | | | | | -363,204,188.48 | -363,204,188.48 |
| 3. Appropriations to owners (or shareholders) | | | | | | | | | | | |
| 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 | | | | | | | | | | | |

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|-----------------------------|----------------|--|--|--|------------------|--|--|--|----------------|------------------|------------------|
| (V) Specific reserve | | | | | | | | | | | |
| 1. Withdrawn for the period | | | | | | | | | | | |
| 2. Used in the period | | | | | | | | | | | |
| (VI) Other | 955,758,496.00 | | | | 1,013,392,242.22 | | | | 742,347,832.47 | 3,077,515,240.89 | 5,789,013,811.58 |

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. After 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 25 Aug. 2015.

There were 15 subsidiaries included into the consolidation scope of the Company in 2015, and for the details, please refer to Notes IX. Equities among Other Entities. There was 1 subsidiaries increased of 2015 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.

2. Continuing operations

There was no any event or situation caused major concerns on the continuing operation ability of the Company within 12 months from the period-end.

V. Significant accounting policies and estimates

Reminder of the specific accounting policies and estimates:

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 Changes in 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 30 Jun. 2015, business results and cash flows for the year of 2015, 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

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

4. Recording currency

Renminbi (RMB) is 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 Notes IV, 4 (2)), Whether the deals are “package deal” or not, belong to the “package deal”, see the previous paragraphs described in this section and Notes IV, 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 Notes IV, 13 “long term equity investment” or 9 “financial instruments”.

Where the Company loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it needs 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 be 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 transaction; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” (see Notes IV 13, (2) ④) and “Where the Company loses control on its original subsidiaries due to disposal of some equity investments or other reasons” (see the front paragraph) relevant transactions of the Company loses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company loses 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 convert 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 | Receivables with the amount of RMB 5 million or more than RMB 5 million should recognize as the receivables with significant single amount. |
|---|---|

| | |
|--|--|
| receivable | |
| 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. |
| 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. |

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 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 be 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 adopts 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 depreciation (%) |
|----------------------------------|-------------------------------|--------------------|-------------------|-------------------------|
| Housing and building | Average method of useful life | 5-30 | 5-10 | 3.00-19.00 |
| Machinery equipments | Average method of useful life | 10-18 | 5-10 | 5.00-9.50 |
| 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. Subsequent expenses for keeping and feeding the consumptive biological assets after the harvest should be recognized as the losses and gains of the current period. Upon harvest or sale, the cost of consumptive biological assets shall be based on its book value through weighted average.

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

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

depreciation occur, accrued the depreciation reserve first and then confirm based on the book value after such accrual.

(2) Productive biological assets

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

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

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

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

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

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

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

If the productive biological assets changed the usage as the consumptive biological assets, the cost after the change should be recognized as the book value when changing the usage; of the productive biological assets changed the usage as non-profit living assets, should be recognized according to the book value after the withdrawal of the impairment provision in accord with the regulation of No. 8 of ASBE - Assets Impairment for considering whether there was impairment and should withdraw the impairment provision in ahead of it.

17. Intangible assets

(1) Pricing method, useful life and impairment test

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

The intangible assets shall be initially measured according to its cost. The costs related with the

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

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

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

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

(2) Accounting policies of internal R & D expenses

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

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

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

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

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

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. 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.

22. 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.

23. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

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

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

The deferred income tax assets and liabilities of the Company should be listed as written-off net

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

24. Lease

(1) Accounting treatment of operating lease

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

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

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

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

(2) Accounting treatments of 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.

25. 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.

26. Changes in main accounting policies and estimates

(1) Change of accounting policies

☐ Applicable ☒ Inapplicable

(2) Change of main accounting estimates

☐ Applicable ☒ Inapplicable

VI. Taxation

1. Main taxes and tax rate

| Category of taxes | Tax basis | Tax rate |
|--|--|-------------------------|
| VAT | Calculated the output tax at 17%, 13%, 6%, and 0% of taxable income and paid the VAT by the amount after deducting the deductible withholding VAT at current period. | 17%, 13%, 6%, 3%, 0% |
| 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% |

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

| Name of taxpaying bodies | Rate of income tax |
|---|--------------------|
| The Company | 15% |
| Lufeng Weaving & Dyeing Co., Ltd. (hereinafter refer to as “Lufeng Weaving & Dyeing”) | 15% |
| Luthai (Hong Kong) Co., Ltd. (hereinafter refer to as “Luthai Hong Kong”) | 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% |
| Lu Thai (Burma) Co., Ltd. (hereinafter referred to as “Lu Thai”) | 0% |

| | |
|--|----|
| Burma") | |
| Lu Thai (Vietnam) Co., Ltd. (hereinafter referred to as "Lu Thai Vietnam") | 0% |

2. Tax preference

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

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

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

The wholly own subsidiary Luthai Vietnam of the wholly own subsidiary Luthai Hong Kong, the investment license issued by the Vietnam Fudong Industrial Park Management Committee, Luthai Vietnam enjoys tax preference on corporate income tax of 3 (3 years start-up period) + 2 (2 years tax holiday) + 4 half (4 years 50%-reductions period) and if there are profits within the 3 years start-up period should transfer which in the 2 years tax holiday. After grace period, enterprise income tax rate was of 25%.

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 | 3,573,971.14 | 1,190,565.56 |
| Bank deposits | 504,903,198.29 | 631,971,943.96 |
| Other monetary funds | 108,961,161.23 | 33,131,288.78 |
| Total | 617,438,330.66 | 666,293,798.30 |
| Of which total amount of deposited abroad | 249,815,842.63 | 22,970,300.95 |

Other notes:

(1) On 30 Jun. 2015, the monetary capital with restricted ownership of the Company was of RMB 89,026,946.69 (31 Dec. 2014: RMB 16,900,000.00), which was the the fixed deposit receipt of USD 4,582,115.07 in order to pledge and obtain short term loan by the Company's subsidiary Lufeng Weaving & Dyeing and the fixed deposit receipt of USD 9,980,000.00 in order to pledge and obtain short term loan by the Company.

(2) On 30 Jun. 2015, the monetary capital the Company deposited in overseas was of RMB 249,815,842.63 (31 Dec. 2014: 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 | 8,940,500.00 | |
| Derivative financial assets | 8,940,500.00 | |
| Total | 8,940,500.00 | |

3. Notes receivable

(1) Notes receivable listed by category

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Bank acceptance bill | 34,001,787.10 | 21,795,315.09 |
| Letter of credit | 122,150,411.81 | 92,009,162.34 |
| Total | 156,152,198.91 | 113,804,477.43 |

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

Unit: RMB Yuan

| Item | Amount | Item |
|----------------------|----------------|------|
| Bank acceptance bill | 118,533,317.60 | |
| Total | 118,533,317.60 | |

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 proportion | | Amount | Proportion | Amount | Withdrawal proportion | |
| Accounts receivable withdrawn bad debt provision according to credit risks characteristics | 238,122,879.27 | 99.45% | 12,071,040.59 | 5.07% | 226,051,838.68 | 223,311,549.51 | 99.42% | 11,340,995.41 | 5.08% | 211,970,554.10 |
| Accounts receivable with insignificant single amount for which bad debt provision separately accrued | 1,313,784.00 | 0.55% | 1,313,784.00 | 100.00% | | 1,313,784.00 | 0.58% | 1,313,784.00 | 100.00% | |
| Total | 239,436,663.27 | 100.00% | 13,384,824.59 | 5.59% | 226,051,838.68 | 224,625,333.51 | 100.00% | 12,654,779.41 | 5.63% | 211,970,554.10 |

| | | | | | | | | | | |
|--|--------|--|-------|--|-------|---------|--|------|--|------|
| | 663.27 | | 24.59 | | 38.68 | ,333.51 | | 9.41 | | 4.10 |
|--|--------|--|-------|--|-------|---------|--|------|--|------|

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 | 236,578,395.21 | 11,828,919.76 | 5.00% |
| Subtotal within 1 year | 236,578,395.21 | 11,828,919.76 | 5.00% |
| 1 to 2 years | 913,307.96 | 91,330.80 | 10.00% |
| 2 to 3 years | 385,628.03 | 77,125.61 | 20.00% |
| Over 3 years | 245,548.07 | 73,664.42 | 30.00% |
| Total | 238,122,879.27 | 12,071,040.59 | 5.07% |

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 730,902.18; 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 | 857.00 |

(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 81,750,939.59, % of the total balance of account receivable at period-end. The relevant total balance of bad debt provision was RMB 4,087,546.98.

5. Prepayment

(1) List by aging analysis:

Unit: RMB Yuan

| Aging | Closing balance | | Opening balance | |
|---------------|-----------------|------------|-----------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within 1 year | 100,678,967.15 | 96.91% | 172,016,638.95 | 98.37% |
| 1 to 2 years | 1,776,785.90 | 1.71% | 1,937,764.69 | 1.11% |
| 2 to 3 years | 527,261.10 | 0.51% | 1,752.14 | 0.00% |
| Over 3 years | 909,777.10 | 0.87% | 909,777.10 | 0.52% |
| Total | 103,892,791.25 | -- | 174,865,932.88 | -- |

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

(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 44,656,286.36, 42.98% of total balance of prepayment at period-end.

6. Interest receivable

(1) Category of interest receivable

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|--------------------|-----------------|-----------------|
| Fixed time deposit | 276,998.88 | |
| Total | 276,998.88 | |

7. 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 | 60,218.8 | 100.00% | 7,511.03 | 12.47% | 52,707.82 | 71,349. | 100.00% | 7,971.030 | 11.17% | 63,378,909. |

| | | | | | | | | | | |
|--|---------------|---------|--------------|--------|---------------|---------------|---------|--------------|--------|---------------|
| receivable withdrawn bad debt provision according to credit risks characteristics | 56.86 | | 2.23 | | 4.63 | 940.05 | | .77 | | 28 |
| Total | 60,218,856.86 | 100.00% | 7,511,032.23 | 12.47% | 52,707,824.63 | 71,349,940.05 | 100.00% | 7,971,030.77 | 11.17% | 63,378,909.28 |

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 | 29,346,845.63 | 1,467,342.29 | 5.00% |
| Subtotal within 1 year | 29,346,845.63 | 1,467,342.29 | 5.00% |
| 1 to 2 years | 14,337,376.30 | 1,433,737.64 | 10.00% |
| 2 to 3 years | 3,504,381.68 | 700,876.33 | 20.00% |
| Over 3 years | 13,030,253.25 | 3,909,075.97 | 30.00% |
| Total | 60,218,856.86 | 7,511,032.23 | 12.47% |

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 -449,498.54; 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 | 10,500.00 |

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

Unit: RMB Yuan

| Nature | Closing book balance | Opening book balance |
|--------|----------------------|----------------------|
|--------|----------------------|----------------------|

| | | |
|----------------------|---------------|---------------|
| Export taxes refund | 2,665,685.60 | 11,213,575.08 |
| Advance payment | 27,809,773.50 | 37,058,192.64 |
| Pledge and guarantee | 9,914,626.78 | 8,062,219.86 |
| Lending and deposit | 4,876,823.14 | 4,777,623.60 |
| Other | 14,951,947.84 | 10,238,328.87 |
| Total | 60,218,856.86 | 71,349,940.05 |

(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 to 2 years, 2 to 3 years | 26.15% | 1,423,419.26 |
| Other accounts receivable B | Account receivable of the withheld dividend taxation of B Share by securities registration and settlement companies | 6,928,375.47 | Within 1 year | 11.51% | 346,418.77 |
| Other accounts receivable C | Insurance expenses | 3,610,373.69 | Within 1 year | 6.00% | 180,518.68 |
| Other accounts receivable D | Deposits for wages paid to migrant workers of infrastructure works | 2,955,620.10 | Over 3 years | 4.91% | 886,686.03 |
| Other accounts receivable E | Export tax refunds of the local government | 2,665,685.60 | Over 3 years | 4.43% | 799,705.68 |
| Total | -- | 31,914,607.83 | -- | 53.00% | 3,636,748.42 |

8. 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 | 624,984,465.95 | 1,635,229.99 | 623,349,235.96 | 661,246,109.89 | 1,635,229.99 | 659,610,879.90 |
| Products in process | 507,690,850.45 | | 507,690,850.45 | 478,624,419.09 | | 478,624,419.09 |
| Inventory goods | 642,245,808.55 | 33,260,845.40 | 608,984,963.15 | 636,626,434.14 | 40,267,108.49 | 596,359,325.65 |
| Consumptive biological assets | 582,322.08 | | 582,322.08 | | | |
| Assigned processing products | 20,709,673.12 | | 20,709,673.12 | 17,975,757.57 | | 17,975,757.57 |
| Total | 1,796,213,120.15 | 34,896,075.39 | 1,761,317,044.76 | 1,794,472,720.69 | 41,902,338.48 | 1,752,570,382.21 |

(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 | 40,267,108.49 | | | 7,006,263.09 | | 33,260,845.40 |
| Total | 41,902,338.48 | | | 7,006,263.09 | | 34,896,075.39 |

9. Other current assets

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|-----------------------------------|-----------------|-----------------|
| Prepaid income tax to be deducted | 11,079,402.93 | 3,658,894.10 |
| VAT input tax to be deducted | 31,614,425.75 | 1,508,430.88 |
| Total | 42,693,828.68 | 5,167,324.98 |

10. 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 debt instruments: | | | | | | |

| | | | | | | |
|---------------------------------------|---------------|--|---------------|---------------|--|---------------|
| Available-for-sale equity instruments | 67,442,600.00 | | 67,442,600.00 | 67,442,600.00 | | 67,442,600.00 |
| Measured by fair value | | | | | | |
| Measured by cost | 67,442,600.00 | | 67,442,600.00 | 67,442,600.00 | | 67,442,600.00 |
| 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% | |
| 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 | | | | | -- | |

11. 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 | 5,480,998.00 | | 5,480,998.00 | 6,980,998.00 | | 6,980,998.00 | 10.54% |
| Of which: unrealized financing income | 557,787.17 | | 557,787.17 | 901,978.43 | | 901,978.43 | |
| Total | 5,480,998.00 | | 5,480,998.00 | 6,980,998.00 | | 6,980,998.00 | -- |

12. Fixed assets

(1) List of fixed assets

Unit: RMB Yuan

| Item | Houses and buildings | Machinery equipment | Transportation equipment | Other | Total |
|---|----------------------|---------------------|--------------------------|----------------|------------------|
| I. Original book value | | | | | |
| 1. Opening balance | 2,550,640,277.33 | 5,419,397,227.53 | 68,406,645.05 | 103,129,923.73 | 8,141,574,073.64 |
| 2. Increased amount of the period | 14,386,282.02 | 49,415,264.91 | 2,369,878.31 | 4,027,843.44 | 70,199,268.68 |
| (1) Outsourcing | 1,054,916.96 | 33,166,357.57 | 2,308,742.31 | 3,913,593.14 | 40,443,609.98 |
| (2) Transfer of inventory\fixed assets\project under construction | 13,331,365.06 | 16,248,907.34 | 61,136.00 | 114,250.30 | 29,755,658.70 |
| (3) Increased from enterprise merger | | | | | |
| 3. Decreased amount of the period | 4,720,915.21 | 9,219,953.48 | 1,348,978.83 | 505,877.14 | 15,795,724.66 |
| (1) Disposal or Scrap | 4,720,915.21 | 9,219,953.48 | 1,348,978.83 | 505,877.14 | 15,795,724.66 |
| 4. Closing balance | 2,560,305,644.14 | 5,459,592,538.96 | 69,427,544.53 | 106,651,890.03 | 8,195,977,617.66 |
| II. Accumulative depreciation | | | | | |
| 1. Opening balance | 664,880,219.81 | 2,404,560,228.35 | 47,741,021.91 | 66,140,558.20 | 3,183,322,028.27 |
| 2. Increased amount of the period | 39,478,595.62 | 123,991,697.54 | 2,915,814.55 | 8,827,973.34 | 175,214,081.05 |
| (1) Withdrawal | 39,478,595.62 | 123,991,697.54 | 2,915,814.55 | 8,827,973.34 | 175,214,081.05 |

| | | | | | |
|-----------------------------------|------------------|------------------|---------------|---------------|------------------|
| 3. Decreased amount of the period | 1,273,515.72 | 7,063,250.48 | 1,233,406.57 | 454,730.99 | 10,024,903.76 |
| (1) Disposal or scrap | 1,273,515.72 | 7,063,250.48 | 1,233,406.57 | 454,730.99 | 10,024,903.76 |
| 4. Closing balance | 703,085,299.71 | 2,521,488,675.41 | 49,423,429.89 | 74,513,800.55 | 3,348,511,205.56 |
| III. Depreciation reserves | | | | | |
| 1. Opening balance | 4,823,890.00 | 22,457,499.57 | 53,835.13 | 68,764.63 | 27,403,989.33 |
| 2. Increased amount of the period | | | | | |
| (1) Withdrawal | | | | | |
| 3. Decreased amount of the period | | 977,851.01 | | | 977,851.01 |
| (1) Disposal or scrap | | 977,851.01 | | | 977,851.01 |
| 4. Closing balance | 4,823,890.00 | 21,479,648.56 | 53,835.13 | 68,764.63 | 26,426,138.32 |
| IV. Book value | | | | | |
| 1. Closing book value | 1,852,396,454.43 | 2,916,624,214.99 | 19,950,279.51 | 32,069,324.85 | 4,821,040,273.78 |
| 2. Opening book value | 1,880,936,167.52 | 2,992,379,499.61 | 20,611,788.01 | 36,920,600.90 | 4,930,848,056.04 |

(2) Fixed assets leased out from operation lease

Unit: RMB Yuan

| Item | Closing book value |
|----------------------|--------------------|
| Houses and buildings | 23,443,261.49 |

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

Unit: RMB Yuan

| Item | Book value | Reason |
|--|----------------|--|
| Weaving and yarn dying workshop | 113,954,603.74 | Ongoing inspection, surveying, verification to application procedures by Housing authorities |
| Employee's dormitory building of eastern area of industrial park | 28,696,136.84 | Same with above |
| Spinning Fourth factory workshop | 72,586,597.32 | Same with above |
| Lufeng weaving dye workshop | 141,936,584.26 | Same with above |

Other notes

13. Construction in progress

(1) List of construction in progress

Unit: RMB Yuan

| Item | Closing balance | | | Opening balance | | |
|---|-----------------|----------------------|----------------|-----------------|----------------------|----------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Complex building and employee's dormitory building in western area of Luthai | 13,480,283.20 | | 13,480,283.20 | 12,939,182.17 | | 12,939,182.17 |
| A new 230,000-spindle production line project and a new 35,000-ingot two-for-one twisting production line project | 6,984,206.17 | | 6,984,206.17 | 4,850,066.53 | | 4,850,066.53 |
| East sample factory | 26,538,538.03 | | 26,538,538.03 | 17,204,613.50 | | 17,204,613.50 |
| Factory project of Xinjiang Luthai | 1,039,800.00 | | 1,039,800.00 | 423,132.50 | | 423,132.50 |
| Reform project of Xinsheng Thermal Power | 24,222,084.06 | | 24,222,084.06 | 22,032,798.42 | | 22,032,798.42 |
| Energy conservation project of Helijie | 6,423,346.54 | | 6,423,346.54 | 10,301,098.08 | | 10,301,098.08 |
| Lu Thai (Cambodia) garment project | 17,311,996.27 | | 17,311,996.27 | 12,450,194.68 | | 12,450,194.68 |
| Lu Thai (Burma) garment | 13,183,657.20 | | 13,183,657.20 | 0.00 | | 0.00 |
| Lu Thai (Vietnam) yarn-dyed fabric projects | 9,096,140.18 | | 9,096,140.18 | 0.00 | | 0.00 |
| Other small projects | 51,706,018.96 | | 51,706,018.96 | 43,384,140.92 | | 43,384,140.92 |
| Total | 169,986,070.61 | | 169,986,070.61 | 123,585,226.80 | | 123,585,226.80 |

(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 estimate of the project accumulative input | Project progress | Accumulative amount of capitalized interests | Of which: the amount of the capitalized interest | Capitalization rate of the interests of the period | Capital resources |
|--------------|------------------|-----------------|--------------------------------|---|--------------------------------------|-----------------|---|------------------|--|--|--|-------------------|
|--------------|------------------|-----------------|--------------------------------|---|--------------------------------------|-----------------|---|------------------|--|--|--|-------------------|

| | | | | | | | | | | s of the period | | |
|---|----------------|---------------|---------------|---------------|--|---------------|--------|--------|--|--------------------|--|-------|
| Complex building and employee's dormitory building in western area of Luthai | 106,500,000.00 | 12,939,182.17 | 541,101.03 | | | 13,480,283.20 | 99.00% | 99.00% | | | | 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 | 4,850,066.53 | 2,134,139.64 | | | 6,984,206.17 | 33.96% | 33.96% | | | | Other |
| East sample factory | 30,000,000.00 | 17,204,613.50 | 9,333,924.53 | | | 26,538,538.03 | 88.50% | 88.50% | | | | Other |
| Factory project of Xinjiang Luthai | 4,000,000.00 | 423,132.50 | 2,828,293.76 | 2,211,626.26 | | 1,039,800.00 | 81.00% | 81.00% | | | | Other |
| Reform project of Xinsheng Thermal Power | 30,000,000.00 | 22,032,798.42 | 2,189,285.64 | | | 24,222,084.06 | 80.00% | 80.00% | | | | Other |
| Energy conservation project of Helijie | 34,235,000.00 | 10,301,098.08 | 2,674,462.93 | 6,552,214.47 | | 6,423,346.54 | 91.10% | 91.10% | | | | Other |
| Lu Thai (Cambodia) garment | 123,056,000.00 | 12,450,194.68 | 22,347,819.80 | 17,486,018.21 | | 17,311,996.27 | 66.80% | 66.80% | | | | Other |

| | | | | | | | | | | | | |
|---|----------------------|--------------------|-------------------|-------------------|------|--------------------|--------|------------|--|--|--|-------|
| project | | | | | | | | | | | | |
| Lu Thai (Burma) garment | 61,136,000. 00 | 0.00 | 13,183,65 7.20 | | | 13,183,65 7.20 | 21.50% | 21.50 % | | | | Other |
| Lu Thai (Vietnam) yarn-dyed fabric projects | 242,282,300 .00 | 0.00 | 9,096,140 .18 | | | 9,096,140. 18 | 3.75% | 3.75 % | | | | Other |
| Other small projects | | 43,384,14 0.92 | 11,827,67 7.80 | 3,505,799 .76 | | 51,706,01 8.96 | | | | | | Other |
| Total | 1,559,869,3 00.00 | 123,585,2 26.80 | 76,156,50 2.51 | 29,755,65 8.70 | 0.00 | 169,986,0 70.61 | -- | -- | | | | -- |

14. Engineering material

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Specific materials | 678,493.72 | 587,256.00 |
| Specific equipments | 35,593,129.90 | 19,298,509.41 |
| Total | 36,271,623.62 | 19,885,765.41 |

15. Productive biological assets

(1) Productive biological assets adopted cost measurement mode

√Applicable □ Inapplicable

Unit: RMB Yuan

| Item | Planting industry | Livestock | Forestry | Aquaculture | Total |
|-----------------------------------|-------------------|--------------|----------|-------------|--------------|
| I. Total original book value | | | | | |
| 1. Opening balance | | 1,310,500.00 | | | 1,310,500.00 |
| 2. Increased amount of the period | | | | | |
| (1) Outsourcing | | | | | |
| (2) Self cultivate | | | | | |

| | | | | | |
|-----------------------------------|--|--------------|--|--|--------------|
| 3. Decrease amount of the period | | | | | |
| (1) Disposal | | | | | |
| (2) Other | | | | | |
| 4.Closing balance | | 1,310,500.00 | | | 1,310,500.00 |
| II. Accumulated depreciation | | | | | |
| 1.Opening balance | | | | | |
| 2. Increased amount of the period | | 124,497.48 | | | 124,497.48 |
| (1) Withdrawal | | | | | |
| 3. Decrease amount of the period | | | | | |
| (1) Disposal | | | | | |
| (2) Other | | | | | |
| 4.Closing balance | | 124,497.48 | | | 124,497.48 |
| III. Impairment provision | | | | | |
| 1.Opening balance | | | | | |
| 2. Increased amount of the period | | | | | |
| (1) Withdrawal | | | | | |
| 3. Decrease amount of the period | | | | | |
| (1) Disposal | | | | | |
| (2) Other | | | | | |
| 4.Closing balance | | | | | |
| IV. Book value | | | | | |
| 1.Closing book value | | 1,186,002.52 | | | 1,186,002.52 |
| 2.Opening book value | | 1,310,500.00 | | | 1,310,500.00 |

16. Intangible assets

(1) List of intangible assets

Unit: RMB Yuan

| Item | Land use right | Patent | Non-patents | Total |
|--|----------------|--------------|-------------|----------------|
| I. Total original book value | | | | |
| 1. Opening balance | 445,235,221.44 | 1,985,176.47 | 180,000.00 | 447,400,397.91 |
| 2. Increase in the reporting period | 1,335,244.20 | 300,000.00 | | 1,635,244.20 |
| (1) Purchase | 1,335,244.20 | 300,000.00 | | 1,635,244.20 |
| (2) Internal R &D | | | | |
| (3) Increase from enterprise combination | | | | |
| 3. Decrease in the reporting period | | | | |
| (1) Purchase | | | | |
| 4. Closing balance | 446,570,465.64 | 2,285,176.47 | 180,000.00 | 449,035,642.11 |
| II. Total accrued amortization | | | | |
| 1. Opening balance | 72,632,893.20 | 827,157.00 | 180,000.00 | 73,640,050.20 |
| 2. Increase in the reporting period | 6,003,617.55 | 114,258.84 | | 6,117,876.39 |
| (1) Withdrawal | 6,003,617.55 | 114,258.84 | | 6,117,876.39 |
| 3. Decrease in the reporting period | | | | |
| (1) Disposal | | | | |
| 4. Closing balance | 78,636,510.75 | 941,415.84 | 180,000.00 | 79,757,926.59 |
| III. Total impairment provision | | | | |
| 1. Opening balance | | | | |
| 2. Increase in the reporting period | | | | |
| (1) Withdrawal | | | | |
| 3. Decrease in the reporting period | | | | |
| (1) Disposal | | | | |

| | | | | |
|---|----------------|--------------|--|----------------|
| 4. Closing balance | | | | |
| IV. Total book value of intangible assets | | | | |
| 1. Book value of the period-end | 367,933,954.89 | 1,343,760.63 | | 369,277,715.52 |
| 2. Book value of the period-begin | 372,602,328.24 | 1,158,019.47 | | 373,760,347.71 |

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.

17. 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 |
|---|-----------------|----------|--|----------|--|-----------------|
| 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 |

18. Long-term unamortized expenses

Unit: RMB Yuan

| Item | Opening balance | Increase | Amortization amount | Decrease | Closing balance |
|---|-----------------|---------------|---------------------|----------|-----------------|
| Land contracting fee of Xinjiang Luthai | 28,319,033.27 | 360,000.00 | 519,093.41 | | 28,159,939.86 |
| Land rental fee of Luthai (Cambodia) | | 4,369,894.59 | 43,738.70 | | 4,326,155.89 |
| Land rental fee of (Burma) | | 9,517,391.13 | 48,437.63 | | 9,468,953.50 |
| Land rental fee of (Vietnam) | | 20,960,134.32 | | | 20,960,134.32 |
| Total | 28,319,033.27 | 35,207,420.04 | 611,269.74 | | 62,915,183.57 |

Other notes

19. 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 | 74,049,565.75 | 12,771,714.65 | 80,747,882.90 | 13,938,629.38 |
| Internal transaction unrealized internal profit | 61,242,891.65 | 8,864,798.42 | 54,548,472.47 | 7,895,874.08 |
| One-time listed decoration expenses | 1,924,508.40 | 288,676.26 | 1,924,508.40 | 288,676.26 |
| Employee's payroll payable | 114,961,700.46 | 17,941,934.29 | 114,961,700.46 | 17,941,934.30 |
| Deferred income | 62,748,664.03 | 9,299,083.15 | 63,445,242.97 | 9,402,402.82 |
| Change of fair value of trading financial liabilities | | | 3,306,200.00 | 495,930.00 |
| Total | 314,927,330.29 | 49,166,206.77 | 318,934,007.20 | 49,963,446.84 |

(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 | 12,508,653.70 | 2,063,927.86 | 12,513,412.24 | 2,064,713.02 |
| Change of fair value of trading financial liabilities | 8,940,500.00 | 1,341,075.00 | | |
| Total | 21,449,153.70 | 3,405,002.86 | 12,513,412.24 | 2,064,713.02 |

(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 assets and liabilities at the period-end | Amount of deferred income tax assets or liabilities after off-set at the period-end | Mutual set-off amount of deferred income tax assets and liabilities at the period-begin | Amount of deferred income tax assets or liabilities after off-set at the period-begin |
|---------------------------------|---|---|---|---|
| Deferred income tax assets | | 49,166,206.77 | | 49,963,446.84 |
| Deferred income tax liabilities | | 3,405,002.86 | | 2,064,713.02 |

(4) List of unrecognized deferred income tax assets

Unit: RMB Yuan

| Item | Closing amount | Opening amount |
|---------------------------------|----------------|----------------|
| Deductible temporary difference | 8,168,504.78 | 9,184,255.09 |
| Deductible losses | 100,886,101.97 | 86,677,173.05 |
| Total | 109,054,606.75 | 95,861,428.14 |

(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 | 9,735,028.99 | |
| Y2017 | 22,207,758.19 | 22,207,758.19 | |
| Y2018 | 27,926,362.05 | 27,926,362.05 | |
| Y2019 | 26,808,023.82 | 26,808,023.82 | |
| Y2020 | 14,208,928.92 | | |
| Total | 100,886,101.97 | 86,677,173.05 | -- |

20. Other non-current assets

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Prepayment for land | 12,781,283.00 | 16,910,237.34 |
| Total | 12,781,283.00 | 16,910,237.34 |

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

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---------------|-----------------|-----------------|
| Pledge loan | 89,026,946.69 | 70,000,000.00 |
| Mortgage loan | 71,000,000.00 | 288,230,000.00 |
| Credit loan | 586,562,963.78 | 159,222,946.24 |
| Total | 746,589,910.47 | 517,452,946.24 |

22. 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 |

23. Derivative financial liabilities

□ Applicable √ Inapplicable

24. Notes payable

Unit: RMB Yuan

| Category | Closing balance | Opening balance |
|------------------|-----------------|-----------------|
| Trade acceptance | 7,199,537.34 | 7,421,979.09 |
| Total | 7,199,537.34 | 7,421,979.09 |

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

25. Accounts payable**(1) List of accounts payable**

Unit: RMB Yuan

| Category | Closing balance | Opening balance |
|------------------------|-----------------|-----------------|
| Purchase of goods | 171,139,072.94 | 257,834,663.07 |
| Engineering equipments | 55,995,879.17 | 80,701,856.84 |
| Other | 9,473,199.81 | 5,545,719.25 |
| Total | 236,608,151.92 | 344,082,239.16 |

26. Advance from customers**(1) List of advance from customers**

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Prepayment for goods | 91,532,874.42 | 82,176,191.45 |
| Total | 91,532,874.42 | 82,176,191.45 |

27. Payroll payable**(1) List of Payroll payable**

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|--|-----------------|----------------|----------------|-----------------|
| I. Short-term salary | 261,086,385.47 | 671,623,763.25 | 715,573,067.13 | 217,137,081.59 |
| III. Termination benefits-defined contribution plans | 452,821.46 | 101,380,632.22 | 85,944,074.48 | 15,889,379.20 |
| Total | 261,539,206.93 | 773,004,395.47 | 801,517,141.61 | 233,026,460.79 |

(2) List of Short-term salary

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|---|-----------------|----------------|----------------|-----------------|
| 1. Salary, bonus, allowance, subsidy | 230,521,560.35 | 584,614,052.72 | 639,977,887.46 | 175,157,725.61 |
| 2. Employee welfare | | 26,058,550.08 | 26,058,550.08 | |
| 3. Social insurance | 155,792.81 | 39,054,779.72 | 33,582,467.82 | 5,628,104.71 |
| Including: 1. Medical insurance premiums | 90,003.82 | 33,886,362.08 | 28,636,495.68 | 5,339,870.22 |
| Work-related injury insurance | 19,076.12 | 3,049,824.44 | 2,919,780.81 | 149,119.75 |
| Maternity insurance | 46,712.87 | 2,118,593.20 | 2,026,191.33 | 139,114.74 |
| 4. Housing fund | 29,662.62 | 9,694,368.74 | 8,997,179.15 | 726,852.21 |
| 5. Labor union budget and employee education budget | 30,379,369.69 | 12,202,011.99 | 6,956,982.62 | 35,624,399.06 |
| Total | 261,086,385.47 | 671,623,763.25 | 715,573,067.13 | 217,137,081.59 |

(3) List of drawing scheme

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------------------|-----------------|----------------|---------------|-----------------|
| 1. Basic endowment insurance | 351,444.86 | 96,084,151.61 | 81,416,004.18 | 15,019,592.29 |
| 2. Unemployment insurance | 101,376.60 | 5,296,480.61 | 4,528,070.30 | 869,786.91 |
| Total | 452,821.46 | 101,380,632.22 | 85,944,074.48 | 15,889,379.20 |

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.

28. Taxes payable

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Value-added tax | 6,275,256.60 | 6,300,150.34 |
| Business tax | 161,706.34 | 437,293.48 |
| Corporate income tax | 35,073,233.25 | 47,179,155.84 |
| Personal income tax | 13,544,513.37 | 1,327,131.46 |
| Urban maintenance and construction tax | 4,476,486.72 | 5,117,786.89 |
| Stamp tax | 290,347.47 | 383,843.12 |
| Property tax | 4,540,294.52 | 4,256,461.03 |
| Land use tax | 4,767,563.47 | 4,556,076.61 |
| Education surtax | 2,025,762.57 | 2,254,623.77 |
| Local education surtax | 1,350,505.19 | 1,503,725.02 |
| Local water conservancy facility construction fund | 639,271.14 | 736,158.41 |
| Total | 73,144,940.64 | 74,052,405.97 |

29. Interest payable

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Interest payable on short-term borrowings and long term borrowings | 1,482,653.25 | 511,373.44 |
| Total | 1,482,653.25 | 511,373.44 |

30. Dividends payable

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|------------------------|-----------------|-----------------|
| Common stock dividends | 441,113.64 | 441,456.54 |
| Total | 441,113.64 | 441,456.54 |

Notes: 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.

31. 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 | 19,643,408.65 | 18,533,942.00 |
| Collecting payment on behalf of others | 12,083,560.70 | 11,481,319.14 |
| Turnover account | 11,588,800.73 | 10,383,779.31 |
| Other | 24,953,984.30 | 17,676,832.73 |
| Total | 68,269,754.38 | 58,075,873.18 |

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

Unit: RMB Yuan

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

32. Non-current liabilities due within 1 year

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|-----------------------------------|-----------------|-----------------|
| Long-term loans due within 1 year | 96,900,005.44 | 100,733,898.72 |
| Total | 96,900,005.44 | 100,733,898.72 |

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

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Debt of honour | 96,900,005.44 | 110,638,544.31 |
| Less: Long-term loans due within 1 year | -96,900,005.44 | -100,733,898.72 |
| Total | | 9,904,645.59 |

34. 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 |

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

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| III. Other long term welfare | 86,564,776.96 | 80,360,457.97 |
| Total | 86,564,776.96 | 80,360,457.97 |

36. Deferred income

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance | Formation reasons |
|------------------------------|-----------------|----------|--------------|-----------------|----------------------|
| Government subsidies | 66,155,242.97 | | 1,139,078.94 | 65,016,164.03 | Government subsidies |
| Unrealized financing incomes | 901,978.43 | | 344,191.26 | 557,787.17 | Financing lease |
| Total | 67,057,221.40 | | 1,483,270.20 | 65,573,951.20 | -- |

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 | 63,445,242.97 | | 696,578.94 | | 62,748,664.03 | Related to the assets |
| Equipment | 1,620,000.00 | | 360,000.00 | | 1,260,000.00 | Related to the assets |
| Productive biological asset | 1,090,000.00 | | 82,500.00 | | 1,007,500.00 | Related to the assets |
| Total | 66,155,242.97 | | 1,139,078.94 | | 65,016,164.03 | -- |

37. 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 |

38. 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 | 955,758,496.00 | | | | | | 955,758,496.00 |

39. Capital reserves

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|------------------------|------------------|-----------|----------|------------------|
| Capital premium | 948,167,616.39 | | | 948,167,616.39 |
| Other capital reserves | 58,871,944.74 | 41,092.88 | | 58,913,037.62 |
| Total | 1,007,039,561.13 | 41,092.88 | | 1,007,080,654.01 |

40. 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 current period that recognized into other comprehensive income in prior period | Less: income tax expense | After-tax attribute to the parent company | After-tax attribute to minority shareholder | |
| I. Other comprehensive income can not be reclassify into profits and | | | | | 0.00 | | |

| | | | | | | | |
|---|---------------|------------|--|--|------------|------|---------------|
| losses | | | | | | | |
| II. Other comprehensive income reclassify into profits and losses | -8,440,178.37 | 574,877.23 | | | 574,877.23 | | -7,865,301.14 |
| Converted amount of foreign currency financial statements | -8,440,178.37 | 574,877.23 | | | 574,877.23 | | -7,865,301.14 |
| Total | -8,440,178.37 | 574,877.23 | | | 574,877.23 | 0.00 | -7,865,301.14 |

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:

41. Surplus reserves

Unit: RMB Yuan

| Item | Opening balance | Increase | Decrease | Closing balance |
|--------------------------------|-----------------|----------|----------|-----------------|
| Statutory surplus reserves | 739,006,259.89 | | | 739,006,259.89 |
| Discretionary surplus reserves | 3,341,572.58 | | | 3,341,572.58 |
| Total | 742,347,832.47 | | | 742,347,832.47 |

Other note, including changes and reason of change

42. Retained profits

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|--|------------------|--------------------------|
| Opening balance of retained profits before adjustments | 3,892,066,534.32 | 3,379,354,741.18 |
| Opening balance of retained profits after adjustments | 3,892,066,534.32 | 3,379,354,741.18 |
| Add: Net profit attributable to owners of the Company | 344,521,516.72 | 958,725,402.84 |
| Less: Withdrawal of statutory surplus reserves | | 82,809,421.22 |
| Dividend of common stock payable | 477,879,248.00 | 363,204,188.48 |
| Closing retained profits | 3,758,708,803.04 | 3,892,066,534.32 |

List of adjustment of opening retained profits:

- 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.
- 3) RMB 000 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB 000 opening retained profits was affected by changes in combination scope arising from same control.

5) RMB 000 opening retained profits was affected totally by other adjustments.

43. Revenue and Cost of Sales

Unit: RMB Yuan

| Item | Reporting period | | Same period of last year | |
|-----------------|------------------|------------------|--------------------------|------------------|
| | Revenue | Cost | Revenue | Cost |
| Main operation | 2,857,761,175.48 | 2,073,584,183.14 | 3,039,920,640.88 | 2,090,290,672.19 |
| Other operation | 84,074,721.68 | 59,438,017.93 | 74,305,940.74 | 47,559,621.18 |
| Total | 2,941,835,897.16 | 2,133,022,201.07 | 3,114,226,581.62 | 2,137,850,293.37 |

44. Business tax and surcharges

Unit: RMB

| Item | Reporting period | Same period of last year |
|---|------------------|--------------------------|
| Business tax | 595,514.62 | 617,475.60 |
| Urban maintenance and construction tax | 12,558,301.56 | 12,253,415.71 |
| Education surtax | 5,820,356.34 | 5,353,843.11 |
| Local education surtax | 3,880,267.32 | 3,569,237.62 |
| Local water conservancy construction fund | 1,790,272.40 | 1,749,617.91 |
| Total | 24,644,712.24 | 23,543,589.95 |

45. Sales expenses

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|---------------------------|------------------|--------------------------|
| Transportation fee | 12,940,803.21 | 16,454,022.50 |
| Salary | 26,853,576.60 | 27,103,133.51 |
| Mall costs | 10,679,224.59 | 11,438,534.62 |
| Advertising expense | 13,219,366.15 | 11,884,726.86 |
| Terminal Handling charges | 3,602,696.66 | 3,169,415.15 |
| Copyright royalty | 1,501,650.54 | 1,411,714.95 |
| Rental charges | 1,932,585.56 | 2,982,934.22 |
| Inspection fee | | 133,714.31 |
| Patent fee | | 1,042,079.41 |
| Other | 26,915,505.69 | 17,487,870.29 |

| | | |
|-------|---------------|---------------|
| Total | 97,645,409.00 | 93,108,145.82 |
|-------|---------------|---------------|

46. Administrative expenses

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|-----------------------------------|------------------|--------------------------|
| R&D expenses | 141,009,183.42 | 148,094,648.52 |
| Salary | 51,011,581.40 | 41,604,372.05 |
| Depreciation fee | 17,325,002.91 | 12,075,385.41 |
| Taxes | 20,801,623.45 | 15,345,715.98 |
| Share-based expenses | | 4,747,007.52 |
| Warehouse funding | 10,027,719.85 | 8,782,718.18 |
| Decoration repair expense | 960,953.58 | 1,833,072.82 |
| Amortization of intangible assets | 5,188,655.42 | 5,010,321.66 |
| Labor-union expenditure | 7,014,804.43 | 6,536,835.39 |
| Insurance fee | 2,892,577.06 | 3,706,582.55 |
| Transportation fee | 3,448,371.74 | 3,604,235.55 |
| Rental fee | 8,532,189.82 | 6,227,783.79 |
| Other | 43,110,670.50 | 37,363,995.21 |
| Total | 311,323,333.58 | 294,932,674.63 |

47. Financial expenses

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|--|------------------|--------------------------|
| Interest expenditures | 10,987,533.82 | 13,605,979.71 |
| Less: interest income | 1,998,321.40 | 4,797,528.00 |
| Foreign currency exchange gains and losses | -4,051,845.74 | -4,943,357.38 |
| Other | 4,084,340.20 | 3,576,213.13 |
| Total | 9,021,706.88 | 7,441,307.46 |

48. Assets impairment losses

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|------------------|------------------|--------------------------|
| I. Bad debt loss | 281,403.64 | -5,235,486.56 |

| | | |
|-------|------------|---------------|
| Total | 281,403.64 | -5,235,486.56 |
|-------|------------|---------------|

49. 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 | 8,940,500.00 | -29,949,120.00 |
| Including: gains from the changes in fair value of derivative financial instruments | 8,940,500.00 | -29,949,120.00 |
| Financial liabilities calculated by fair value and its changes recorded into current profits and losses | 3,306,200.00 | -1,050,030.00 |
| Total | 12,246,700.00 | -30,999,150.00 |

50. Investment incomes

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|--|------------------|--------------------------|
| Investment income from the disposal of long-term equity investment | 28,860,565.88 | 21,158,949.08 |
| Investment income during the period of the held of available for sale financial assets | | 120,000.00 |
| Total | 28,860,565.88 | 21,278,949.08 |

51. Non-operating gains

Unit: RMB Yuan

| Item | Reporting period | Same period of last year | Recorded in the amount of the non-recurring gains and losses |
|---|------------------|--------------------------|--|
| Total gains from disposal of non-current assets | 809,936.96 | 50,957.05 | 809,936.96 |
| Including: Gains from disposal of fixed assets | 809,936.96 | 50,957.05 | 809,936.96 |
| Government grants | 7,116,087.94 | 17,088,515.19 | 7,116,087.94 |
| Other | 2,194,769.81 | 2,687,296.00 | 2,194,769.81 |
| Total | 10,120,794.71 | 19,826,768.24 | 10,120,794.71 |

Government subsidies recorded into current profits and losses

Unit: RMB Yuan

| Item | Reporting period | Same period of last year | Related to the assets/ income |
|--|------------------|--------------------------|-------------------------------|
| Energy saving subsidy funds | 330,000.00 | | Related to the incomes |
| Special fund for encouraging foreign trade development | 422,000.00 | | Related to the incomes |
| Special fund for encouraging foreign trade development | 100,000.00 | | Related to the incomes |
| Special fund for Science and technology | 111,000.00 | | Related to the incomes |
| Special fund for Science and technology | 46,000.00 | | Related to the incomes |
| Subsidy for Science and technology innovation | 1,000,000.00 | | Related to the incomes |
| Subsidy for Science and technology innovation | 200,000.00 | | Related to the incomes |
| Famous brand trademark bounty | 200,000.00 | | Related to the incomes |
| Special fund for Patent Development | 102,400.00 | | Related to the incomes |
| Subsidy fund for import and export credit insurance premium | 417,509.00 | | Related to the incomes |
| Talent support award fund | 300,000.00 | | Related to the incomes |
| Special fund for Patent Development | 80,000.00 | | Related to the incomes |
| Special fund for encouraging foreign trade development | 105,600.00 | | Related to the incomes |
| Contract energy management award fund | 2,300,000.00 | | Related to the incomes |
| Financial discount interest funds for loan of anti-poverty project | 262,500.00 | | Related to the incomes |
| Energy saving subsidy funds | | 1,000,000.00 | Related to the incomes |
| Industry development assistance | | 200,000.00 | Related to the incomes |
| Energy saving subsidy funds | | 1,500,000.00 | Related to the incomes |
| Special fund for Patent Development | | 30,000.00 | Related to the incomes |
| Emerging industry development subsidy | | 9,000,000.00 | Related to the incomes |
| Energy saving subsidy funds | | 100,000.00 | Related to the incomes |
| Subsidy for Science and technology innovation | | 2,680,000.00 | Related to the incomes |
| Special fund for Patent Development | | 50,000.00 | Related to the incomes |

| | | | |
|---|--------------|---------------|------------------------|
| Social insurance subsidies in the fourth quarter of 2012 | | 387,607.27 | Related to the incomes |
| Financial discount interest funds for loan of anti-poverty project | | 187,500.00 | Related to the incomes |
| Subsidy for the development of modern agricultural production project | | 850,000.00 | Related to the incomes |
| Imported products discount | | 60,000.00 | Related to the incomes |
| Export credit insurance | | 38,500.00 | Related to the incomes |
| Export credit insurance | | 39,822.00 | Related to the incomes |
| Imported equipment discount | | 147,960.00 | Related to the incomes |
| Deferred revenue amortization | 1,139,078.94 | 817,125.92 | Related to the assets |
| Total | 7,116,087.94 | 17,088,515.19 | -- |

52. 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 | 3,508,372.92 | 2,054,591.12 | 3,508,372.92 |
| Including: Loss on disposal of fixed assets | 3,508,372.92 | 2,054,591.12 | 3,508,372.92 |
| External donation | 13,242.02 | 209,994.80 | 13,242.02 |
| Other | 723,799.12 | 830,536.08 | 723,799.12 |
| Total | 4,245,414.06 | 3,095,122.00 | 4,245,414.06 |

53. Income tax expense

(1) Lists of income tax expense

Unit: RMB Yuan

| Item | Reporting period | Last period |
|-----------------------------|------------------|---------------|
| Current income tax expense | 65,332,000.05 | 89,668,858.22 |
| Deferred income tax expense | 2,137,529.91 | -1,608,479.27 |
| Total | 67,469,529.96 | 88,060,378.95 |

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

Unit: RMB Yuan

| Item | Reporting period |
|---|------------------|
| Total profits | 412,879,777.28 |
| Current income tax expense accounted by tax and relevant regulations | 61,931,966.59 |
| Influence of different tax rate suitable to subsidiary | 8,944,435.39 |
| Influence of income tax before adjustment | 148,531.03 |
| Influence of non taxable income | 756,770.65 |
| Influence of not deductible costs, expenses and losses | 305,797.94 |
| Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period. | 3,552,232.23 |
| Influence of plus deducting costs | -8,170,203.87 |
| Deferred income tax | 67,469,529.96 |

Other notes

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

Unit: RMB Yuan

| Item | Reporting period | Last period |
|---|------------------|---------------|
| Government grants | 5,977,009.00 | 18,671,389.27 |
| Collection for employees | 32,154.44 | 516,545.65 |
| Claim income | 718,980.59 | 434,310.44 |
| Penalty income | 80,266.42 | 27,002.62 |
| Recovery of employee borrowings, petty cash and deposit | 6,823,524.97 | 702,797.55 |
| Other | 11,650,716.83 | 13,798,766.58 |
| Total | 25,282,652.25 | 34,150,812.11 |

Notes:

(2) Other cash paid relevant to operating activities

Unit: RMB Yuan

| Item | Reporting period | Last period |
|--|------------------|---------------|
| Freight and miscellaneous charges | 30,884,815.22 | 30,121,059.73 |
| Rental charges and management expenses | 13,278,057.78 | 12,133,489.36 |

| | | |
|---------------------------------|----------------|----------------|
| of the shops | | |
| Rental charges | 13,352,190.56 | 12,894,780.90 |
| Advertising expenses | 5,014,183.65 | 9,760,845.31 |
| Official travel expenses | 6,390,846.47 | 6,008,384.69 |
| Insurance fee | 3,762,698.73 | 3,614,037.61 |
| Copyright royalties | 1,501,650.54 | 4,222,631.59 |
| Audit advisory announcement fee | 1,347,778.95 | 972,710.82 |
| Decoration & repair expenses | 1,061,222.18 | 911,517.51 |
| External donation | 13,242.02 | 645,929.00 |
| Other | 64,126,882.06 | 54,914,835.03 |
| Total | 140,733,568.16 | 136,200,221.55 |

Notes:

(3) Other cash received relevant to investment activity

Unit: RMB Yuan

| Item | Reporting period | Last period |
|--|------------------|---------------|
| Interest income | 1,718,171.27 | 4,797,528.00 |
| Trading financial assets investment income | 28,860,565.88 | 21,158,949.08 |
| Total | 30,578,737.15 | 25,956,477.08 |

Notes:

(4) Other cash received relevant to financing activities

Unit: RMB Yuan

| Item | Reporting period | Last period |
|--|------------------|---------------|
| Borrowing from related parties | | 12,000,000.00 |
| the certificates of deposit pledged of Xinjiang Luthai | 16,000,000.00 | |
| Total | 16,000,000.00 | 12,000,000.00 |

Notes:

(5) Other cash paid relevant to financing activities

Unit: RMB Yuan

| Item | Reporting period | Last period |
|--------------------------------|------------------|---------------|
| Returning from related parties | | 12,000,000.00 |

| | | |
|----------------------------------|---------------|---------------|
| The short-term borrowing deposit | 89,026,946.69 | 25,829,195.86 |
| Total | 89,026,946.69 | 37,829,195.86 |

Notes:

55. Supplemental information for Cash Flow Statement

(1) Supplemental information for Cash Flow Statement

Unit: RMB Yuan

| Item | 2015 | 2014 |
|---|-----------------|-----------------|
| 1. Reconciliation of net profit to net cash flows generated from operations: | -- | -- |
| Net profit | 345,410,247.32 | 481,537,123.32 |
| Add: Provision for assets impairments | 281,403.64 | -5,235,486.56 |
| Depreciation of fixed assets, oil-gas assets and productive biological assets | 175,214,081.05 | 145,594,825.78 |
| Amortization of intangible assets | 6,117,876.39 | 5,699,474.24 |
| Amortization of long-term deferred expense | 611,269.74 | 56,911.26 |
| Losses/gains on disposal of fixed assets, intangible asset and other long-term assets (gains: negative) | 2,698,435.96 | 2,003,634.07 |
| Losses/gains on scrapped of fixed assets (gains: negative) | 0.00 | |
| Losses/gains from variation of fair value (gains: negative) | -12,246,700.00 | 30,999,150.00 |
| Financial cost (income: negative) | 4,937,366.68 | 4,307,508.25 |
| Investment loss (gains: negative) | -28,860,565.88 | -21,278,949.08 |
| Decrease in deferred tax assets (increase: negative) | 797,240.07 | 2,883,888.73 |
| Increase in deferred tax liabilities (decrease: negative) | 1,340,289.84 | -4,472,477.24 |
| Decrease in inventory (increase: negative) | -1,740,399.46 | -137,401,684.55 |
| Decrease in accounts receivable from operating activities (increase: negative) | 21,908,518.27 | 89,612,169.08 |
| Increase in accounts payable from operating activities (decrease: negative) | -154,164,439.49 | -195,263,523.43 |
| Net cash flows generated from operating activities | 362,304,624.13 | 399,042,563.87 |
| 2. Significant investing and financing activities without involvement of cash receipts and payments | -- | -- |
| 3. Change of cash and cash equivalent: | -- | -- |
| Closing balance of Cash | 528,411,383.97 | 442,306,121.20 |
| Less: opening balance of cash | 649,393,798.30 | 869,909,505.89 |
| The net increase in cash and cash equivalents | -120,982,414.33 | -427,603,384.69 |

(2) Cash and cash equivalents

Unit: RMB Yuan

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| I. Cash | 528,411,383.97 | 649,393,798.30 |
| Including: Cash on hand | 3,573,971.14 | 1,190,565.56 |
| Bank deposit on demand | 504,903,198.29 | 631,971,943.96 |
| Other monetary funds on demand | 19,934,214.54 | 16,231,288.78 |
| III. Closing balance of cash and cash equivalents | 528,411,383.97 | 649,393,798.30 |

56. The assets with the ownership or use right restricted

Unit: RMB Yuan

| Item | Closing book value | Restricted reason |
|-------------------|--------------------|-------------------------|
| Monetary capital | 89,026,946.69 | Short term loan pledged |
| Inventory | 10,292,793.16 | Short term loan pledged |
| Intangible assets | 588,888.57 | Short term loan pledged |
| Total | 99,908,628.42 | -- |

57. 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 | 56,841,179.30 | 6.1136 | 347,504,235.51 |
| EUR | 52,022.29 | 6.8699 | 357,387.94 |
| HKD | 181,510,694.50 | 0.7886 | 143,139,333.68 |
| JPY | 8,863,201.00 | 0.0501 | 444,046.37 |
| THB | 120.19 | 0.1837 | 22.08 |
| SGD | 91.90 | 4.5580 | 418.88 |
| GBP | 1,503.36 | 9.6422 | 14,495.70 |
| AUD | 2,821.03 | 4.6993 | 13,256.87 |
| CHF | 787.68 | 6.6987 | 5,276.44 |
| SEK | 920.00 | 0.7534 | 693.13 |

| | | | |
|------------------|-------------------|--------|----------------|
| Kyats | 28,434,380.00 | 0.0055 | 156,609.40 |
| dong | 98,575,148,550.60 | 0.0003 | 27,695,267.84 |
| Note receivable | | | |
| Of which: USD | 19,980,111.85 | 6.1136 | 122,150,411.81 |
| Of which: USD | 24,659,514.44 | 6.1136 | 150,758,407.49 |
| Other receivable | | | |
| Of which: USD | 186,326.77 | 6.1136 | 1,139,127.35 |
| HKD | 531,145.56 | 0.7886 | 418,861.39 |
| EUR | 6,765.00 | 6.8699 | 46,474.87 |
| Kyats | 7,800,000.00 | 0.0055 | 42,960.45 |
| dong | 151,116,640.00 | 0.0003 | 42,375.32 |
| Account payable | | | |
| Of which: USD | 121,513.44 | 6.1136 | 742,884.57 |
| JPY | 58,262,880.00 | 0.0501 | 2,918,970.29 |
| EUR | 589,043.77 | 6.8699 | 4,046,671.79 |
| Other payable | | | |
| Of which: USD | 50,155.73 | 6.1136 | 306,632.07 |
| HKD | 524,145.56 | 0.7886 | 413,341.19 |
| Short term loan | | | |
| Of which: USD | 99,929,011.39 | 6.1136 | 610,926,004.05 |
| HKD | 77,600,000.00 | 0.7886 | 61,195,360.00 |
| EUR | 504,890.38 | 6.8699 | 3,468,546.42 |

(2) Note to oversea entities including: for significant oversea 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)") Lu Thai (Vietnam) were; Hong Kong, Cambodia, Burma, America and Vietnam, and the recording currency respectively was HKD, USD, USD, USD and dong.

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 sub-subsidiary was Lu Thai (Vietnam) which was the wholly owned subsidiary of Lu Thai (Hong Kong).

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 | 100.00% | | Establish |

| | | | | | | |
|--|---------|---------|---------------------------|---------|--|-----------|
| | | | retail industry | | | |
| Lu Thai (Vietnam) (sub-subsidiary) | Vietnam | Vietnam | Manufacturing industry | 100.00% | | Establish |

Notes: holding proportion in subsidiary different from voting proportion:

Basis of holding half or less voting rights but still been controlled investee and holding more than half of the voting rights not been controlled investee:

Significant structure entities and controlling basis in the scope of combination:

Basis of determine whether the Company is the agent or the principal:

(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% | 3,457,355.39 | 12,023,570.79 | 158,591,840.93 |
| Lufeng Weaving & Dyeing | 25.00% | 2,038,509.13 | | 278,360,684.97 |

Holding proportion of minority shareholder in subsidiary different from voting proportion:

(3) The main financial information of significant not wholly owned subsidiary

Unit: RMB Yuan

| Name | Closing balance | | | | | | Opening balance | | | | | |
|----------------------------------|-------------------|---------------------------|------------------|------------------------|------------------------------|--------------------|-------------------|------------------------|------------------|------------------------|------------------------------|--------------------|
| | Current assets | Non-curr ent assets | Total assets | Current liabilities | Non-curr ent liability | Total liability | current assets | Non-curre nt assets | Total assets | Current liabilities | Non-curr ent liability | Total liability |
| Xinjiang Luthai | 185,745,701.37 | 328,776,406.65 | 514,522,108.02 | 119,171,926.98 | 6,552,228.15 | 125,724,155.13 | 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 | 519,958,742.93 | 921,130,295.80 | 1,441,089,038.73 | 296,889,757.19 | 30,756,541.60 | 327,646,298.79 | 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 |

Unit: RMB Yuan

| Name | 2015 | | | | 2014 | | | |
|-------------------------|-------------------|--------------|----------------------------|---------------------|-------------------|---------------|----------------------------|---------------------|
| | Operation revenue | Net profit | Total comprehensive income | Operating cash flow | Operation revenue | Net profit | Total comprehensive income | Operating cash flow |
| Xinjiang Luthai | 235,279,759.42 | 8,626,136.21 | 8,626,136.21 | 174,168,584.81 | 325,430,583.40 | 11,598,662.25 | 11,598,662.25 | 95,983,434.41 |
| Lufeng Weaving & Dyeing | 677,791,081.36 | 8,154,036.52 | 8,154,036.52 | -71,026,693.01 | 657,933,121.05 | 21,324,978.18 | 21,324,978.18 | -42,146,689.30 |

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) 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 30 Jun. 2015, 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 | 519,331,043.84 | 289,133,077.73 |

| | | |
|--|----------------|----------------|
| Note receivable | 122,150,411.81 | 92,009,162.34 |
| Account receivable | 150,758,407.49 | 138,557,390.08 |
| Other account receivable | 1,689,799.38 | 5,792,541.34 |
| Account payable | 7,708,526.65 | 18,451,521.14 |
| Other account payable | 719,973.26 | 1,172,287.39 |
| Short term borrowings | 675,589,910.47 | 159,222,946.24 |
| Long term borrowings due with one year | 96,900,005.44 | 100,733,898.72 |
| Long term borrowings | - | 9,904,645.59 |

(2) Interest rate risk

The risk of cash flow changes of financial instruments due to change of interest rate mainly was related bank loan
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 | 2015 | | 2014 | |
|-----------------|--------------------------|-------------------------------------|--------------------------|-------------------------------------|
| | Influence to the profits | Influence to equity of shareholders | Influence to the profits | Influence to equity of shareholders |
| Increase 100 BP | -2,482,939.38 | -2,128,707.94 | -2,443,677.62 | -2,105,286.41 |
| Decrease 100 BP | 2,482,939.38 | 2,128,707.94 | 2,443,677.62 | 2,105,286.41 |

2. Credit risk

On 30 Jun. 2015, 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 Liaoantai 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 617 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 | -- | -- | -- | -- |
| (I) Financial assets measured by fair value and changes recorded into current profits and losses | 8,940,500.00 | | | 8,940,500.00 |
| 1. Tradable financial assets | 8,940,500.00 | | | 8,940,500.00 |
| (3) Derivative financial assets | 8,940,500.00 | | | 8,940,500.00 |
| Total assets consistently calculated by fair value | 8,940,500.00 | | | 8,940,500.00 |
| 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% |

Notes:

The final control of the Company was Liu Shizhen

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 |

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service

Acquisition of goods and reception of labor service

Unit: RMB Yuan

| Related-party | Content | 2015 | Trading limit approved | Over the trading limit or not? | 2014 |
|----------------------|---|--------------|------------------------|--------------------------------|--------------|
| Lucheng Textile | Towel, sock, oil product, etc. | 5,741,300.22 | 6,300,000.00 | No | 4,221,104.20 |
| Stanluian Company | Purchase of gift box for cosmetic, lotion, washing-up liquid, Liquid soap, etc. | 84,371.37 | | | 66,786.34 |
| Taimei Ties | Goods processing, quilt cover processing fee | 479,818.63 | | | 483,524.44 |
| Limin Purified Water | Sewage treatment | 4,856,374.44 | 14,423,200.00 | No | 4,878,775.80 |
| Limin Walling | Building materials | | | | 202,728.21 |
| Lurui Fine | Equipment | | | | 29,059.83 |

| | | | | | |
|---------------------|-------------|---------------|---------------|----|---------------|
| Chemical | | | | | |
| Lurui Fine Chemical | Auxiliaries | 33,961,091.09 | 80,000,000.00 | No | 14,665,304.59 |

Sales of goods and rendering of labor service

Unit: RMB Yuan

| Related-party | Content | 2015 | 2014 |
|----------------------|--|--------------|--------------|
| Lucheng Textile | Sales of materials, electricity, running water, steam and LED lamp | 103,229.76 | 107,862.89 |
| Lucheng Textile | Sales of dyed yarn, fabric and garments | 376,771.28 | 289,896.20 |
| Taimei Ties | Sales of electricity, heating charges, garment etc. | 11,878.01 | 13,022.39 |
| Stanluian Company | Sales of materials, garments, electricity, running water and heating charges | 20,891.49 | 29,497.96 |
| Limin Purified Water | Sales of materials, garment, equipment and LED lamp | 2,496.96 | 4,439.53 |
| Lurui Chemical | Sales of garments, equipment and LED lamp working meal | 232,519.66 | 123,141.44 |
| Chengshun Power | Sales of materials, heating water, heating power, water, electricity and garment | 2,401,125.83 | 1,691,084.42 |
| Lujia Property | Sales of materials and recycled water | 48,070.08 | |

Notes:

(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 reporting period | The lease income confirmed in same period of last year |
|-----------------|---------------------------|--|--|
| Lucheng Textile | Building & construction | 195,200.00 | 195,200.00 |
| Chengshun Power | Building & construction | | 900.00 |

The Company was lessee:

Unit: RMB Yuan

| Name of lessee | Category of leased assets | The lease income confirmed in reporting period | The lease income confirmed in same period of last year |
|-----------------|----------------------------|--|--|
| Lucheng Textile | Rent of land | 2,313,000.00 | 2,313,000.00 |
| Lucheng Textile | Rent of gas station | 263,400.00 | 263,400.00 |
| Lucheng Textile | Rent of land and buildings | 5,543,400.00 | 5,543,400.00 |
| Luqun Property | Rent of land and buildings | 901,200.00 | 901,200.00 |

| | | | |
|-----------------|----------------|------------|------------|
| Lucheng Textile | Rent of houses | 348,600.00 | 348,600.00 |
|-----------------|----------------|------------|------------|

Notes:

(3) Related party asset transfer and debt restructuring

Unit: RMB Yuan

| Related party | Content | 2015 | 2014 |
|----------------|-------------------------|------|---------------|
| Luqun Property | Building & construction | | 31,416,086.66 |

5. Receivables and payables of related parties**(1) Receivables**

Unit: RMB Yuan

| Item | Related party | Closing period | Opening period |
|------------------|-----------------|----------------|----------------|
| Account payables | Lucheng Textile | 400,961.00 | 391,531.00 |
| Account payables | Taimei Ties | 197,185.00 | 100,485.00 |

XIII. Commitments and contingency**1. Significant commitments**

Significant commitments at balance sheet date

| Item | Closing balance (Ten thousand Yuan) | Opening balance (Ten thousand Yuan) |
|---|-------------------------------------|-------------------------------------|
| Commitments signed but hasn't been recognized in financial statements | | |
| - Commitment for constructing and purchasing long-term assets | 9,539.56 | 4,234.11 |
| Total | 9,539.56 | 4,234.11 |

XIV. 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 | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
|--|----------------|----------------|---------------|----------------|----------------|----------------|----------------|---------------|----------------|----------------|
| Accounts receivable withdrawal of bad debt provision of by credit risks characteristics: | 283,471,246.94 | 100.00% | 23,972,230.55 | 8.46% | 259,499,016.39 | 348,586,979.40 | 100.00% | 26,689,904.79 | 7.66% | 321,897,074.61 |
| Total | 283,471,246.94 | 100.00% | 23,972,230.55 | 8.46% | 259,499,016.39 | 348,586,979.40 | 100.00% | 26,689,904.79 | 7.66% | 321,897,074.61 |

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 | 204,184,290.56 | 10,209,214.53 | 5.00% |
| Subtotal of within 1 year | 204,184,290.56 | 10,209,214.53 | 5.00% |
| 1-2 years | 37,829,313.47 | 3,782,931.35 | 10.00% |
| 2-3 years | 24,572,081.97 | 4,914,416.39 | 20.00% |
| Over 3 years | 16,885,560.94 | 5,065,668.28 | 30.00% |
| Total | 283,471,246.94 | 23,972,230.55 | 8.46% |

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 -2,717,674.24; 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 146,733,614.96, 51.76% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB 17,130,098.95.

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 characteristics: | 82,500,420.18 | 100.00% | 5,360,484.00 | 6.50% | 77,139,936.18 | 30,826,657.21 | 100.00% | 2,777,139.42 | 9.01% | 28,049,517.79 |
| Total | 82,500,420.18 | 100.00% | 5,360,484.00 | 6.50% | 77,139,936.18 | 30,826,657.21 | 100.00% | 2,777,139.42 | 9.01% | 28,049,517.79 |

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 | 76,873,990.97 | 3,843,699.55 | 5.00% |
| Subtotal of within 1 year | 76,873,990.97 | 3,843,699.55 | 5.00% |
| 1-2 years | 537,720.69 | 53,772.07 | 10.00% |
| 2-3 years | 636,001.78 | 127,200.36 | 20.00% |
| Over 3 years | 4,452,706.74 | 1,335,812.02 | 30.00% |
| Total | 82,500,420.18 | 5,360,484.00 | 6.50% |

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 2,583,344.58, 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 | 64,990,187.68 | 2,861,317.03 |
| Export taxes refund | | 8,218,844.96 |
| Advance payment | 3,098,507.00 | 13,311,113.23 |
| Pledge and guarantee | 3,102,445.36 | 2,191,658.50 |
| Lending and deposit | 1,640,585.32 | 2,121,376.44 |
| Other | 9,668,694.82 | 2,122,347.05 |
| Total | 82,500,420.18 | 30,826,657.21 |

(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 |
|--|--|-----------------|---------------|-------------|---------------------------------------|
| Lu Thai (Hong Kong) | Turnover amount | 61,136,000.00 | Within 1 year | 74.10% | 3,056,800.00 |
| Receivable of dividend tax withholding of B shares of Securities Clearing and Registration Corporation | Receivable of dividend tax withholding of B shares of Securities Clearing and Registration Corporation | 6,928,375.47 | Within 1 year | 8.40% | 346,418.77 |
| Lu Thai (Cambodia) | Turnover amount | 2,704,508.10 | Within 1 year | 3.28% | 135,225.41 |
| 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 | 1.77% | 437,578.05 |
| Lu Thai (Vietnam) | Turnover amount | 732,323.69 | Within 1 year | 0.89% | 36,616.18 |
| Total | -- | 72,959,800.76 | -- | 88.44% | 4,012,638.41 |

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 | 1,360,779,450.91 | | 1,360,779,450.91 | 1,170,861,572.56 | | 1,170,861,572.56 |
| Total | 1,360,779,450.91 | | 1,360,779,450.91 | 1,170,861,572.56 | | 1,170,861,572.56 |

(1) Investment to the subsidiary

Unit: RMB Yuan

| Entity | Opening balance | Increase | Decrease | Closing balance | Withdrawn impairment provision in the reporting period | Closing balance of impairment provision |
|-------------------------|------------------|----------------|----------|------------------|--|---|
| Beijing Innovative | 25,200,000.00 | | | 25,200,000.00 | | |
| Xinjiang Luthai | 147,303,034.16 | | | 147,303,034.16 | | |
| Xinsheng Power | 176,340,737.93 | | | 176,340,737.93 | | |
| Lufeng Weaving & Dyeing | 529,620,000.00 | | | 529,620,000.00 | | |
| Luqun Textile | 171,784,550.00 | | | 171,784,550.00 | | |
| Luthai (Hong Kong) | 6,366,600.00 | 122,405,200.00 | | 128,771,800.00 | | |
| Lufeng Sunshine | 15,000,000.00 | | | 15,000,000.00 | | |
| Shanghai Luthai | 20,000,000.00 | | | 20,000,000.00 | | |
| Luthai (Cambodia) | 70,585,030.47 | 36,586,545.04 | | 107,171,575.51 | | |
| Luthai (America) | 3,670,380.00 | 1,834,740.00 | | 5,505,120.00 | | |
| Luthai (Burma) | 491,240.00 | 24,591,393.31 | | 25,082,633.31 | | |
| Beijing Youxian | 4,500,000.00 | 4,500,000.00 | | 9,000,000.00 | | |
| Total | 1,170,861,572.56 | 189,917,878.35 | | 1,360,779,450.91 | | |

4. Revenues and operating costs

Unit: RMB Yuan

| Item | Reporting period | | Same period of last year | |
|------|------------------|-----------------|--------------------------|-----------------|
| | Revenues | Operating costs | Revenues | Operating costs |

| | | | | |
|------------------|------------------|------------------|------------------|------------------|
| Main operations | 2,271,611,588.70 | 1,695,745,675.96 | 2,245,002,336.27 | 1,544,161,311.27 |
| Other operations | 78,000,829.19 | 62,998,536.38 | 73,197,187.83 | 52,966,475.58 |
| Total | 2,349,612,417.89 | 1,758,744,212.34 | 2,318,199,524.10 | 1,597,127,786.85 |

5. Investment income

Unit: RMB Yuan

| Item | Reporting period | Same period of last year |
|--|------------------|--------------------------|
| Long-term equity investment income accounted by cost method | 17,976,429.21 | |
| Investment income received from disposal of long-term equity investment calculated by fair value | 26,539,715.88 | 18,121,509.04 |
| Total | 44,516,145.09 | 18,121,509.04 |

XV. 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 | -2,698,435.96 | |
| 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 | 7,116,087.94 | |
| 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 | 41,107,265.88 | |
| Non-operating income and expense other than the above | 1,457,728.67 | |
| Less: Income tax effects | 10,018,509.04 | |
| Minority interests effects (after tax) | 1,047,078.18 | |
| Total | 35,917,059.31 | -- |

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 | 5.10% | 0.36 | 0.36 |
| Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss | 4.56% | 0.32 | 0.32 |

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 | |
|---|--|----------------|--|------------------|
| | 2015 | 2014 | Closing amount | Opening amount |
| According to Chinese accounting standards | 344,521,516.72 | 476,880,256.93 | 6,456,030,484.38 | 6,588,772,245.55 |
| Items and amounts adjusted according to international accounting standards | | | | |
| Impact on domestic equipments tax credit recognized as deferred income under international accounting standards | 612,500.00 | 754,500.00 | -1,456,500.00 | -2,069,000.00 |
| According to international accounting standards | 345,134,016.72 | 477,634,756.93 | 6,454,573,984.38 | 6,586,703,245.55 |

(2) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

Effects of domestic equipment exempted from income tax

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

Section X. Documents for Reference

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

27 Aug. 2015