



LU THAI TEXTILE CO., LTD.

THIRD QUARTER REPORT 2018

October 2018

Part I Important Notes

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

All the Company’s directors have attended the Board meeting for the review of this Report and its summary.

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

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

Part II Key Corporate Information

I Key Consolidated Financial Information

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

√ Yes □ No

Reason

Business combination under common control

	30 September 2018	31 December 2017		Change (%)
		Before	Restated	Restated
Total assets (RMB)	10,568,327,014.46	10,170,624,027.75	10,170,624,027.75	3.91%
Equity attributable to the listed company's shareholders (RMB)	7,011,958,543.23	7,230,942,770.16	7,230,942,770.16	-3.03%
	Q3 2018	YoY change (%)	Q1-Q3 2018	YoY change (%)
Operating revenue (RMB)	1,743,184,011.30	6.51%	5,023,591,787.12	8.42%
Net profit attributable to the listed company's shareholders (RMB)	209,540,056.51	5.32%	586,896,015.53	-1.21%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	224,130,296.96	23.91%	590,563,214.17	4.01%
Net cash generated from/used in operating activities (RMB)	--	--	1,123,152,616.75	35.24%
Basic earnings per share (RMB/share)	0.23	9.52%	0.64	0.00%
Diluted earnings per share (RMB/share)	0.23	9.52%	0.64	0.00%
Weighted average return on equity (%)	2.95%	0.10%	8.08%	-0.35%

Exceptional gains and losses:

√ Applicable □ Not applicable

Unit: RMB

Item	Q1-Q3 2018	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	21,673,765.75	
Government subsidies charged to current profit or loss (exclusive of government subsidies given in the Company's ordinary course of business at fixed quotas or amounts as per government's uniform standards)	48,811,115.56	
Gain or loss on fair-value changes in trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities and available-for-sale financial assets (exclusive of effective portion of hedges that arise in the Company's ordinary course of business)	-59,714,283.60	

Non-operating income and expense other than above	3,616,214.59	
Less: Income tax effects	10,405,601.73	
Non-controlling interests effects (net of tax)	7,648,409.21	
Total	-3,667,198.64	--

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

☐ Applicable ☒ Not applicable

No such cases for the Reporting Period.

II Total Number of Shareholders and Holdings of Top 10 Shareholders at 30 September 2018

1. Numbers of Ordinary Shareholders and Preferred Shareholders with Resumed Voting Rights as well as Holdings of Top 10 Shareholders

Unit: share

Number of ordinary shareholders	56,205	Number of preferred shareholders with resumed voting rights (if any)				0
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Number of shares	Restricted shares	Shares in pledge or frozen	
					Status	Shares
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	15.21%	140,353,583	0		
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	12.82%	118,232,400	118,232,400		
Hong Kong Securities Clearing Co. Ltd	Foreign legal person	3.33%	30,738,071			
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.20%	20,315,300			
T.Rowe Price Intl Discovery Fund	Foreign legal person	2.16%	19,948,219			
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	1.98%	18,313,391			
National Social Security Fund Portfolio 103	Other	1.30%	11,999,947			
Hong Kong Monetary Authority	Foreign legal person	1.22%	11,255,593			
Hua'an New Silk Road Theme Equity Securities Investment Fund	Other	0.85%	7,860,000			

Bosera Selected Mixed Securities Investment Fund	Other	0.76%	6,991,034			
Top 10 unrestricted shareholders						
Name of shareholder	Unrestricted shares	Shares by type		Type	Shares	
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB-denominated ordinary stock			140,353,583	
Hong Kong Securities Clearing Co. Ltd	30,738,071	RMB-denominated ordinary stock			30,738,071	
Central Huijin Assets Management Co., Ltd.	20,315,300	RMB-denominated ordinary stock			20,315,300	
T.Rowe Price Intl Discovery Fund	19,948,219	Domestically listed foreign stock			19,948,219	
China Securities Finance Corporation Limited	18,313,391	RMB-denominated ordinary stock			18,313,391	
National Social Security Fund Portfolio 103	11,999,947	RMB-denominated ordinary stock			11,999,947	
Hong Kong Monetary Authority	11,255,593	RMB-denominated ordinary stock			11,255,593	
Hua'an New Silk Road Theme Equity Securities Investment Fund	7,860,000	RMB-denominated ordinary stock			7,860,000	
Bosera Selected Mixed Securities Investment Fund	6,991,034	RMB-denominated ordinary stock			6,991,034	
Foreningen AP Invest F.M.B.A.	6,055,003	Domestically listed foreign stock			6,055,003	
Related or acting-in-concert parties among shareholders above	Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder and the actual controller of the Company. Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder and the foreign sponsor of the Company. All the other shareholders are holding tradable A-shares or B-shares. And it is unknown whether there is any related party or acting-in-concert party among them.					
Top 10 ordinary shareholders involved in securities margin trading (if any)	Naught					

Indicate by tick mark whether any of the top 10 ordinary shareholders or the top 10 unrestricted ordinary shareholders of the Company conducted any promissory repo during the Reporting Period.

☐ Yea ☒ No

No such cases in the Reporting Period.

2. Number of Preferred Shareholders and Shareholdings of Top 10 of Them

☐ Applicable ☒ Not applicable

Part III Significant Events

I Changes in Key Consolidated Financial Statement Items and Reasons for Such Changes

√ Applicable □ Not applicable

Asset items:

- (1) Prepayments rose by RMB93.7771 million (or 64.03%) from the amount as at 31 December 2017 to RMB240,240,134.26 as at 30 September 2018, primarily driven by prepayments of subsidiary Xinjiang Luthai Fengshou Cotton Industry Co., Ltd. (hereinafter referred to as "Xinjiang Luthai Fengshou") for raw materials.
- (2) Other receivables rose by RMB19.3907 million (or 34.15%) from the amount as at 31 December 2017 to RMB76,163,473.60 as at 30 September 2018, primarily driven by advances paid by Xinjiang Luthai Fengshou for agricultural machinery purchased by cotton farmers, etc.
- (3) Other current assets declined by RMB62.7252 million (or 52.89%) from the amount as at 31 December 2017 to RMB55,863,530.53 as at 30 September 2018, primarily driven by the withdrawal of capital under wealth management under trust upon maturity in the current period.
- (4) Long-term receivables rose by RMB0.6500 million (or 100.00%) from the amount as at 31 December 2017 to RMB650,000.00 as at 30 September 2018, primarily driven by finance leases of equipment by Xinjiang Luthai Fengshou.
- (5) Construction in progress rose by RMB336.7511 million (or 157.11%) from the amount as at 31 December 2017 to RMB551,086,721.63 as at 30 September 2018, primarily driven by more investments and to-be-installed equipment in the second phase of the Lu Thai (Vietnam) project.
- (6) Other non-current assets declined by RMB11.1882 million (or 30.74%) from the amount as at 31 December 2017 to RMB25,202,247.12 as at 30 September 2018, primarily driven by decrease in prepayments for equipment.

Liability and owners' equity items:

- (7) Short-term borrowings rose by RMB469.5821 million (or 41.37%) from the amount as at 31 December 2017 to RMB1,604,707,428.77 as at 30 September 2018, primarily driven by more bank loans.
- (8) Financial liabilities at fair value through profit or loss rose by RMB44.1122 million (or 100.00%) from the amount as at 31 December 2017 to RMB44,112,150.00 as at 30 September 2018, primarily driven by unsettled forward forex settlement contracts and option contracts as at the end of the current period.
- (9) Taxes payable rose by RMB35.0796 million (or 106.12%) from the amount as at 31 December 2017 to RMB68,134,645.51 as at 30 September 2018, primarily driven by increase in corporate income tax.
- (10) Other payables rose by RMB86.6268 million (or 67.10%) from the amount as at 31 December 2017 to RMB215,730,155.67 as at 30 September 2018, primarily driven by increase in loans borrowed by Zibo Xinsheng Thermal Power Co., Ltd. (a subsidiary of the Company) from Zibo Lucheng Textile Investment Co., Ltd. (a shareholder of the Company).
- (11) The current portion of non-current liabilities declined by RMB62.7503 million (or 100.00%) from the amount as at 31 December 2017 to RMB0.00 as at 30 September 2018, primarily driven by the repayment in the current period of Lu Thai (Vietnam)'s loans due within one year.
- (12) Long-term borrowings rose by RMB157.6117 million (or 100.00%) from the amount as at 31 December 2017 to RMB157,611,749.70 as at 30 September 2018, primarily driven by the long-term loans taken out by Lu Thai (Vietnam) for the expansion of its second phase.
- (13) Treasury stock rose by RMB404.6624 million (or 100.00%) from the amount as at 31 December 2017 to RMB404,662,394.01 as at 30 September 2018, primarily driven by the B-share repurchase of the Company as the parent in the current period.
- (14) Other comprehensive income rose by RMB52.1264 million (or 310.08%) from the amount as at 31 December 2017 to

RMB68,937,000.11 as at 30 September 2018, primarily driven by more gains from the translation of foreign-currency-denominated financial statements due to exchange rate fluctuations.

Income statement items:

(15) Asset impairment loss rose by RMB1.6903 million (or 50.84%) to RMB5,015,397.48 during Q1~Q3 2018 compared to Q1~Q3 2017, primarily driven by increase in allowances for doubtful accounts in the current period.

(16) Other income rose by RMB15.0887 million (or 48.39%) to RMB46,267,401.20 during Q1~Q3 2018 compared to Q1~Q3 2017, primarily driven by increase in government subsidies received during the ordinary course of business.

(17) Investment income declined by RMB22.7519 million (or 521.37%) to RMB-18,388,041.25 during Q1~Q3 2018 compared to Q1~Q3 2017, primarily driven by greater losses on derivative investments during the current period.

(18) Gain on changes in fair value declined by RMB43.3158 million (or 5438.94%) to RMB-44,112,150.00 during Q1~Q3 2018 compared to Q1~Q3 2017, primarily driven by changes in the fair value of unsettled forward forex settlement contracts and option contracts.

(19) Asset disposal income rose by RMB20.2843 million (or 687.84%) to RMB23,233,253.44 during Q1~Q3 2018 compared to Q1~Q3 2017, primarily driven by increase in income from the disposal of non-current assets during the current period.

II Progress, Influence and Solutions Associated with Significant Events

√ Applicable □ Not applicable

During the Reporting Period, the Company executed the repurchase plan of partial B-share. As of 30 September 2018, the Company accumulatively repurchased 51,948,701 shares accounting for 5.6307% of total capital. For more details, please refer to relevant announcements on repurchase of the Company's B-share.

Overview of significant events	Disclosure date	Announcement index
Report on Repurchase of Partial B-share of the Company	16 May 2018	<i>Report on Repurchase of Partial B-share of the Company</i> on www.cninfo.com.cn
Announcement on implementation of repurchase of B-share	29 May 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn .
Announcement on implementation of repurchase of B-share	1 June 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn .
Announcement on implementation of repurchase of B-share	8 June 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn .
Announcement on implementation of repurchase of B-share	3 July 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn .
Announcement on implementation of repurchase of B-share	12 July 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn .
Announcement on implementation of repurchase of B-share	26 July 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao

		and www.cninfo.com.cn.
Announcement on implementation of repurchase of B-share	1 August 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn.
Announcement on implementation of repurchase of B-share	1 September 2018	Relevant announcements disclosed on Securities Times, Shanghai Securities News, China Securities Journal, Hongkong Ta Kung Pao and www.cninfo.com.cn.

III Commitments that the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and Other Parties, Failed to Fulfill on Time during Reporting Period

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV 2018 Annual Operating Performance Forecast

Warning of a forecast loss on or a forecast significant year-on-year change in net profit for year 2018, as well as explanation of why:

☐ Applicable ☒ Not applicable

V Securities Investments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

VI Wealth Management Entrustment

☒ Applicable ☐ Not applicable

Unit: RMB'0,000 (in RMB ten thousand yuan)

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Other	Self-funded	0	6,000	0
Total		0	6,000	0

High-risk wealth management entrustments with amounts that are individually significant, or with low security, low liquidity, or no protection of the principal:

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Trustee	Type of trustee	Type of wealth management	Principal	Funding source	Start date	End date	Investment with principal	Way of payback	Reference annualized return	Expected return (if	Actual gain/loss in Reportin	Collection/payment of gain/lo	Impairment allowance (if	Through prescribed proced	Any plan for further entrust	Overview and index to more informat
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		product							(%)	any)	g Period	ss in Report ing Period	any)	ure or not	ment	ion (if any)
Gopher Asset Manage ment Co., Ltd	Fund corpor ation	Fixed-i ncome	3,000	Self-fu nded	18 Dece mber 2017	18 Januar y 2019	Accounts receivabl e bonds between Guangdo ng Chengxin g and JDcom	Payme nt of princip al and interes t upon maturi ty	7.60%	228		N/A		Yes	Tempo rarily no	
Gopher Asset Manage ment Co., Ltd	Fund corpor ation	Fixed-i ncome	3,000	Self-fu nded	22 Dece mber 2017	22 Dece mber 2019	Granting of trust loans to HOME CREDIT	Annua l payme nt of interes ts and payme nt of princip al upon maturi ty	8.50%	255		N/A		Yes	Tempo rarily no	
Total			6,000	--	--	--	--	--	--	483	0	--		--	--	--

Wealth management entrustments with possible impairments including an expectedly unrecoverable principal:

☐ Applicable ☒ Not applicable

VII Investments in Derivative Financial Instruments

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Count erparty	Relati onship with the Comp any	Relate d-part y transac tion or not	Type of derivat ive	Initial investment amount	Start date	End date	Begin ning invest ment	Purchased in Reporting Period	Sold in Reporting Period	Impa irme nt allo wan ce (if any)	Ending investment	Ending investme nt as % of the Compan y's ending net assets	Actual gain/loss in Reporting Period
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Commercial bank	Non-connected	No	Forward exchange settlement	67,367.6	22 February 2018	25 January 2019	0	67,367.6	48,284.94		19,082.66	2.51%	-636.85
Commercial bank	Non-connected	No	Foreign exchange option	225,451.86	30 November 2017	4 January 2019	19,800	205,651.86	172,327.07		53,124.79	6.99%	-1,118.58
Commercial bank	Non-connected	No	Forward exchange transactions	27,868.4	14 March 2018	8 February 2019	0	27,868.4	23,486.9		4,381.5	0.58%	-165.35
Commercial bank	Non-connected	No	Foreign exchange swap	5,925.81	21 March 2018	11 April 2018	0	5,925.81	5,925.81		0	0.00%	3.95
Total				326,613.67	--	--	19,800	306,813.67	250,024.72		76,588.95	10.08%	-1,916.83
Funding source				Self-funded									
Legal matters involved (if applicable)				N/A									
Disclosure date of board announcement approving derivative investment (if any)				25 April 2018									
Analysis of risks and control measures associated with derivative investments held in Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as market risk, liquidity risk and credit risk, operation risk and risk of laws and regulation.</p> <p>1. Market risk: when the international and domestic economic situations change, the corresponding changes in exchange rates and interest rates may have an adverse impact on the financial derivatives transactions of the Company. Precautionary measures to be taken include: the Company chooses risk-controlled financial derivative tools with simple structure and good liquidity to carry out the hedging business, strictly controls the scale of financial derivatives trading by staged operations, and adjusts the strategy according to market changes in a timely manner.</p> <p>2. Liquidity risk and credit risk: a credit risk arising from failure of the contractually due Company or counterparty in performing the contract due to liquidity or factors other than liquidity. Precautionary measures</p>									

	<p>to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty.</p> <p>3. Operation risk:</p> <p>The derivatives had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, 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 professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum.</p> <p>4. Risk of laws and regulation:</p> <p>The Company conducted derivatives products transaction in strict accordance with relevant laws and rules. If there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. Risk control measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction, formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products transaction business. The Company conducted derivative transaction business according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Transaction of Lu Thai Textile Co., Ltd. and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions approved at the 17th Meeting of the 8th Board of Directors on 25 April 2018, and performed relevant information disclosure responsibilities.</p>
Changes in market prices or fair value of derivative investments in Reporting Period (fair value analysis should include measurement method and related assumptions and parameters)	<p>1. As of 30 September 2018, the Company held a total of 28 immature derivative contracts worth US\$120,269,200 in total, which were forward settlement of exchange, foreign exchange options portfolio and forward foreign exchange trading. The latest contract expiration date was February 2019. Financial derivatives occupied 10.08 % of the net assets as at the period end.</p> <p>2. From January to September 2018, the total amount of the Company's matured financial derivatives was US\$389,641,200, all executed in accordance with the contracts with the losses of RMB19,168,300. Of all the derivatives, the matured forward settlement of exchange was US\$74.5 million with the losses of RMB6,368,500; the matured foreign exchange options was US\$271.6 million with the losses of RMB11.1858 million; the matured foreign exchange trading was US\$34,141,900 with the losses of RMB1.6535 million; the matured foreign exchange swap was US\$9,399,300 with the gains of RMB39,500.</p>
Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to	No significant changes

last reporting period	
Opinion of independent directors on derivative investments and risk control	The Company's independent directors Xu Jianjun, Zhao Yao, Bi Xiuli, Pan Ailing and Wang Xinyu, concerning conducting derivatives business, have issued the following professional advice: We are of the opinion that it will strengthen the Company's competitiveness to use derivative transactions with focus on forward settlement and purchase as an effective tool to avoid foreign exchange risks, to strengthen the relevant internal control and to carry out the loss and risk prevention measures so as to improve the operation and management. In conducting derivative transactions with focus on forward settlement and purchase, the Company follows a legal approval procedure, has sound relevant institutions and keeps the risks relatively controllable. No harm has been done to the interests of the Company's shareholders.

VIII Visits Paid to the Company for Purposes of Research, Communication, Interview, etc. during Reporting Period

☒ Applicable ☐ Not applicable

Date of visit	Way of visit	Type of visitor	About
22 August 2018	By phone	Institution	Key corporate information

IX Irregularities in Provision of Guarantees for External Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

X Occupation of the Company's Capital by Controlling Shareholder or Its Related Parties for Non-Operating Purposes

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Part IV Financial Statements

I Financial Statements

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

30 September 2018

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	813,672,036.09	693,989,293.38
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	472,326,437.12	473,357,266.39
Including: Notes receivable	108,912,648.38	139,276,742.34
Accounts receivable	363,413,788.74	334,080,524.05
Prepayments	240,240,134.26	146,463,066.38
Other receivables	76,163,473.60	56,772,785.11
Inventories	1,998,161,973.27	2,100,661,221.93
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	55,863,530.53	118,588,703.34
Total current assets	3,656,427,584.87	3,589,832,336.53
Non-current assets:		
Available-for-sale financial assets	85,328,000.00	84,533,000.00
Held-to-maturity investments		
Long-term receivables	650,000.00	
Long-term equity investments	94,750,824.37	97,536,732.02
Investment property	23,188,725.04	24,563,544.58
Fixed assets	5,435,726,372.52	5,421,295,850.03
Construction in progress	551,086,721.63	214,335,626.74
Productive living assets		
Oil and gas assets		

Intangible assets	483,223,335.94	498,948,301.48
R&D expense		
Goodwill	20,613,803.29	20,613,803.29
Long-term prepaid expense	121,245,654.53	107,877,194.52
Deferred income tax assets	70,883,745.15	74,697,159.71
Other non-current assets	25,202,247.12	36,390,478.85
Total non-current assets	6,911,899,429.59	6,580,791,691.22
Total assets	10,568,327,014.46	10,170,624,027.75
Current liabilities:		
Short-term borrowings	1,604,707,428.77	1,135,124,996.40
Financial liabilities at fair value through profit or loss	44,112,150.00	
Derivative financial liabilities		
Notes and accounts payable	271,553,510.79	373,566,904.50
Advances from customers	111,903,443.97	119,785,945.48
Financial assets sold under repurchase agreements		
Handling charges and commissions payable		
Payroll payable	273,959,802.41	316,836,488.95
Taxes payable	68,134,645.51	33,055,090.58
Other payables	215,730,155.67	129,103,354.75
Current portion of non-current liabilities		62,750,292.49
Other current liabilities		
Total current liabilities	2,590,101,137.12	2,170,223,073.15
Non-current liabilities:		
Long-term borrowings	157,611,749.70	
Long-term payables		
Long-term payroll payable	92,458,178.53	93,843,473.02
Provisions		
Deferred income	125,845,411.41	126,737,092.32
Deferred income tax liabilities	3,177,184.00	2,904,899.46
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	380,932,523.64	225,325,464.80
Total liabilities	2,971,033,660.76	2,395,548,537.95
Owners' equity:		
Share capital	922,602,311.00	922,602,311.00

Capital reserves	699,493,647.48	699,493,593.82
Less: Treasury stock	404,662,394.01	
Other comprehensive income	68,937,000.11	16,810,574.22
Specific reserve		
Surplus reserves	962,933,579.06	962,933,579.06
General reserve		
Retained earnings	4,762,654,399.59	4,629,102,712.06
Total equity attributable to owners of the Company as the parent	7,011,958,543.23	7,230,942,770.16
Non-controlling interests	585,334,810.47	544,132,719.64
Total owners' equity	7,597,293,353.70	7,775,075,489.80
Total liabilities and owners' equity	10,568,327,014.46	10,170,624,027.75

Legal representative: Liu Zibin

Chief accountant: Zhang Hongmei

Financial manager: Zhang Keming

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	30 September 2018	31 December 2017
Current assets:		
Monetary capital	249,711,287.57	267,809,829.78
Financial assets at fair value through profit or loss		
Derivative financial assets		
Notes and accounts receivable	392,992,131.05	399,148,071.79
Including: Notes receivable	63,324,617.36	93,244,480.81
Accounts receivable	329,667,513.69	305,903,590.98
Prepayments	96,417,359.62	81,471,605.69
Other receivables	445,016,248.84	520,008,829.95
Inventories	1,180,345,243.79	1,164,055,145.96
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	10,731,935.83	53,657,308.33
Total current assets	2,375,214,206.70	2,486,150,791.50
Non-current assets:		
Available-for-sale financial assets	73,328,000.00	72,533,000.00
Held-to-maturity investments		
Long-term receivables		

Long-term equity investments	2,164,443,940.41	1,816,493,348.06
Investment property	14,987,686.56	15,536,968.08
Fixed assets	2,716,789,295.13	2,811,046,847.91
Construction in progress	73,691,514.89	27,312,701.62
Intangible assets	243,664,849.67	249,994,817.83
R&D expense		
Goodwill		
Long-term prepaid expense		
Deferred income tax assets	45,317,300.76	51,474,007.76
Other non-current assets	11,417,122.12	27,077,391.31
Total non-current assets	5,343,639,709.54	5,071,469,082.57
Total assets	7,718,853,916.24	7,557,619,874.07
Current liabilities:		
Short-term borrowings	867,350,637.48	622,438,413.87
Financial liabilities at fair value through profit or loss	30,399,300.00	
Derivative financial liabilities		
Notes and accounts payable	207,150,403.95	154,007,599.21
Advances from customers	64,454,068.52	52,314,250.61
Payroll payable	203,362,592.36	240,391,459.47
Taxes payable	34,959,939.12	17,297,415.92
Other payables	284,560,557.39	24,347,633.13
Liabilities directly associated with assets classified as held for sale		
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,692,237,498.82	1,110,796,772.21
Non-current liabilities:		
Long-term borrowings		
Long-term payables		
Long-term payroll payable	92,458,178.53	93,843,473.02
Provisions		
Deferred income	81,130,402.84	80,580,249.14
Deferred income tax liabilities	124,200.00	4,950.00
Other non-current liabilities		
Total non-current liabilities	173,712,781.37	174,428,672.16

Total liabilities	1,865,950,280.19	1,285,225,444.37
Owners' equity:		
Share capital	922,602,311.00	922,602,311.00
Capital reserves	759,836,756.57	759,836,702.91
Less: Treasury stock	404,662,394.01	
Other comprehensive income	703,800.00	28,050.00
Specific reserve		
Surplus reserves	959,824,839.42	959,824,839.42
Retained earnings	3,614,598,323.07	3,630,102,526.37
Total owners' equity	5,852,903,636.05	6,272,394,429.70
Total liabilities and owners' equity	7,718,853,916.24	7,557,619,874.07

3. Consolidated Income Statement for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Revenue	1,743,184,011.30	1,636,563,847.48
Including: Operating revenue	1,743,184,011.30	1,636,563,847.48
2. Operating costs and expenses	1,444,665,025.79	1,414,767,717.60
Including: Cost of sales	1,202,063,269.94	1,169,036,036.50
Taxes and surcharges	25,517,190.09	22,201,162.17
Selling expense	36,889,477.84	36,919,797.86
Administrative expense	117,159,789.88	113,565,437.29
R&D expense	52,932,799.61	56,642,694.68
Finance costs	7,208,595.79	14,040,353.14
Including: Interest expense	16,558,359.20	4,528,392.85
Interest income	5,662,375.52	8,531,141.07
Asset impairment loss	2,893,902.64	2,362,235.96
Add: Other income	9,124,879.25	20,296,220.07
Investment income ("-" for loss)	-23,034,065.03	2,978,343.01
Including: Share of profit or loss of joint ventures and associates	-1,055,310.06	
Gain on changes in fair value ("-" for loss)	-15,631,140.00	-1,907,100.00
Foreign exchange gain ("-" for loss)		
Asset disposal income ("-" for loss)	23,755,540.09	4,140,058.62
3. Operating profit ("-" for loss)	292,734,199.82	247,303,651.58

Add: Non-operating income	2,673,434.80	437,095.61
Less: Non-operating expense	1,628,939.02	516,136.99
4. Profit before tax (“-” for loss)	293,778,695.60	247,224,610.20
Less: Income tax expense	44,321,359.81	35,631,014.43
5. Net profit (“-” for net loss)	249,457,335.79	211,593,595.77
5.1 Net profit from continuing operations (“-” for net loss)	249,457,335.79	211,593,595.77
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	209,540,056.51	198,954,128.67
Net profit attributable to non-controlling interests	39,917,279.28	12,639,467.10
6. Other comprehensive income, net of tax	24,566,771.97	-12,385,575.90
Attributable to owners of the Company as the parent	24,566,771.97	-12,385,575.90
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	24,566,771.97	-12,385,575.90
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-344,250.00	
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	24,911,021.97	-12,385,575.90
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	274,024,107.76	199,208,019.87
Attributable to owners of the Company as the parent	234,106,828.48	186,568,552.77
Attributable to non-controlling interests	39,917,279.28	12,639,467.10
8. Earnings per share		
8.1 Basic earnings per share	0.23	0.21
8.2 Diluted earnings per share	0.23	0.21

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

Legal representative: Liu Zibin

Chief accountant: Zhang Hongmei

Financial manager: Zhang Keming

4. Income Statement of the Company as the Parent for Q3

Unit: RMB

Item	Q3 2018	Q3 2017
1. Operating revenue	1,311,467,279.35	1,303,419,914.32
Less: Cost of sales	969,922,821.85	961,017,334.09
Taxes and surcharges	17,215,045.88	17,222,805.08
Selling expense	20,317,829.54	24,575,700.30
Administrative expense	75,809,175.22	77,219,833.80
R&D expense	37,589,240.19	36,651,450.97
Finance costs	4,383,922.13	5,369,029.33
Including: Interest expense	5,775,599.84	2,205,583.58
Interest income	418,784.42	1,272,554.02
Asset impairment loss	2,207,675.19	-5,188,148.15
Add: Other income	4,231,549.46	15,198,267.82
Investment income (“-” for loss)	-1,036,006.41	2,993,963.01
Including: Share of profit or loss of joint ventures and associates	-1,055,310.06	
Gain on changes in fair value (“-” for loss)	-11,551,800.00	-1,451,200.00
Asset disposal income (“-” for loss)	-60,714.02	-210,856.62
2. Operating profit (“-” for loss)	175,604,598.38	203,082,083.11
Add: Non-operating income	2,629,812.70	363,373.86
Less: Non-operating expense	1,220,654.32	66,874.28
3. Profit before tax (“-” for loss)	177,013,756.76	203,378,582.69
Less: Income tax expense	24,375,571.27	31,561,713.67
4. Net profit (“-” for net loss)	152,638,185.49	171,816,869.02
4.1 Net profit from continuing operations (“-” for net loss)	152,638,185.49	171,816,869.02
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	-344,250.00	
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	-344,250.00	
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		

5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	-344,250.00	
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	152,293,935.49	171,816,869.02
7. Earnings per share		
7.1 Basic earnings per share	0.16	0.18
7.2 Diluted earnings per share	0.16	0.18

5. Consolidated Income Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Revenue	5,023,591,787.12	4,633,359,418.78
Including: Operating revenue	5,023,591,787.12	4,633,359,418.78
2. Operating costs and expenses	4,285,430,430.29	3,932,049,880.65
Including: Cost of sales	3,562,899,701.35	3,220,519,040.29
Taxes and surcharges	79,987,597.97	73,704,489.30
Selling expense	103,830,566.40	105,285,310.08
Administrative expense	280,434,300.58	268,800,254.77
R&D expense	215,529,045.41	215,445,196.69
Finance costs	37,733,821.10	44,970,531.42
Including: Interest expense	39,093,671.25	19,181,625.09
Interest income	13,065,868.54	11,176,192.49
Asset impairment loss	5,015,397.48	3,325,058.10
Add: Other income	46,267,401.20	31,178,711.35
Investment income ("-" for loss)	-18,388,041.25	4,363,878.35
Including: Share of profit or loss of joint ventures and associates	-2,785,907.65	
Gain on changes in fair value ("-" for loss)	-44,112,150.00	-796,400.00
Foreign exchange gain ("-" for loss)		
Asset disposal income ("-" for loss)	23,233,253.44	2,948,976.14
3. Operating profit ("-" for loss)	745,161,820.22	739,004,703.97

Add: Non-operating income	5,680,589.63	4,798,339.44
Less: Non-operating expense	3,623,862.73	5,165,062.38
4. Profit before tax (“-” for loss)	747,218,547.12	738,637,981.03
Less: Income tax expense	107,596,874.38	115,086,641.45
5. Net profit (“-” for net loss)	639,621,672.74	623,551,339.58
5.1 Net profit from continuing operations (“-” for net loss)	639,621,672.74	623,551,339.58
5.2 Net profit from discontinued operations (“-” for net loss)		
Net profit attributable to owners of the Company as the parent	586,896,015.53	594,084,424.93
Net profit attributable to non-controlling interests	52,725,657.21	29,466,914.65
6. Other comprehensive income, net of tax	52,126,425.89	-27,170,667.80
Attributable to owners of the Company as the parent	52,126,425.89	-27,170,667.80
6.1 Items that will not be reclassified to profit or loss		
6.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
6.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
6.2 Items that may subsequently be reclassified to profit or loss	52,126,425.89	-27,170,667.80
6.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		
6.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	675,750.00	
6.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
6.2.4 Effective gain/loss on cash flow hedges		
6.2.5 Differences arising from translation of foreign currency-denominated financial statements	51,450,675.89	-27,170,667.80
6.2.6 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	691,748,098.63	596,380,671.78
Attributable to owners of the Company as the parent	639,022,441.42	566,913,757.13
Attributable to non-controlling interests	52,725,657.21	29,466,914.65
8. Earnings per share		
8.1 Basic earnings per share	0.64	0.64
8.2 Diluted earnings per share	0.64	0.64

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

6. Income Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Operating revenue	3,815,256,129.99	3,785,445,678.58
Less: Cost of sales	2,831,327,287.54	2,727,698,358.16
Taxes and surcharges	57,522,630.63	54,700,584.26
Selling expense	58,633,294.63	67,896,475.33
Administrative expense	175,674,751.06	173,265,060.53
R&D expense	152,490,515.84	151,041,650.86
Finance costs	15,775,202.00	13,738,799.16
Including: Interest expense	11,499,059.62	5,098,927.46
Interest income	3,615,417.12	2,925,918.00
Asset impairment loss	1,025,520.28	-4,926,016.45
Add: Other income	32,824,295.66	20,665,147.69
Investment income (“-” for loss)	881,396.52	22,252,360.62
Including: Share of profit or loss of joint ventures and associates	-2,785,907.65	
Gain on changes in fair value (“-” for loss)	-30,399,300.00	-340,500.00
Asset disposal income (“-” for loss)	-9,093,464.10	-454,572.82
2. Operating profit (“-” for loss)	517,019,856.09	644,153,202.22
Add: Non-operating income	4,494,842.92	2,570,438.61
Less: Non-operating expense	2,339,681.53	4,002,308.38
3. Profit before tax (“-” for loss)	519,175,017.48	642,721,332.45
Less: Income tax expense	81,334,892.78	97,207,407.76
4. Net profit (“-” for net loss)	437,840,124.70	545,513,924.69
4.1 Net profit from continuing operations (“-” for net loss)	437,840,124.70	545,513,924.69
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax	675,750.00	
5.1 Items that will not be reclassified to profit or loss		
5.1.1 Changes in net liabilities or assets caused by remeasurements on defined benefit pension schemes		
5.1.2 Share of other comprehensive income of investees that will not be reclassified to profit or loss under equity method		
5.2 Items that may subsequently be reclassified to profit or loss	675,750.00	
5.2.1 Share of other comprehensive income of investees that will be reclassified to profit or loss under equity method		

5.2.2 Gain/Loss on changes in fair value of available-for-sale financial assets	675,750.00	
5.2.3 Gain/Loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.4 Effective gain/loss on cash flow hedges		
5.2.5 Differences arising from translation of foreign currency-denominated financial statements		
5.2.6 Other		
6. Total comprehensive income	438,515,874.70	545,513,924.69
7. Earnings per share		
7.1 Basic earnings per share	0.47	0.59
7.2 Diluted earnings per share	0.47	0.59

7. Consolidated Cash Flow Statement for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	4,919,565,086.62	4,574,979,319.14
Tax rebates	163,977,565.90	160,047,008.71
Cash generated from other operating activities	72,652,513.56	86,687,670.15
Subtotal of cash generated from operating activities	5,156,195,166.08	4,821,713,998.00
Payments for commodities and services	2,430,285,387.35	2,300,721,133.86
Cash paid to and for employees	1,234,503,411.97	1,187,769,632.78
Taxes paid	195,779,524.72	272,027,616.66
Cash used in other operating activities	172,474,225.29	230,703,535.88
Subtotal of cash used in operating activities	4,033,042,549.33	3,991,221,919.18
Net cash generated from/used in operating activities	1,123,152,616.75	830,492,078.82
2. Cash flows from investing activities:		
Proceeds from disinvestment		
Investment income		
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	32,556,953.49	11,449,301.27
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	76,342,399.31	72,404,070.11
Subtotal of cash generated from investing activities	108,899,352.80	83,853,371.38
Payments for acquisition of fixed assets, intangible assets and other	806,532,720.12	435,293,077.11

long-lived assets		
Payments for investments		50,000,000.00
Net increase in pledged loans granted		
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	27,629,580.00	
Subtotal of cash used in investing activities	834,162,300.12	485,293,077.11
Net cash generated from/used in investing activities	-725,262,947.32	-401,439,705.73
3. Cash flows from financing activities:		
Capital contributions received	500,000.00	500,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	500,000.00	500,000.00
Increase in borrowings obtained	2,376,163,674.80	1,255,806,409.19
Net proceeds from issuance of bonds		
Cash generated from other financing activities	85,500,000.00	21,980,000.00
Subtotal of cash generated from financing activities	2,462,163,674.80	1,278,286,409.19
Repayment of borrowings	1,842,546,176.23	1,197,843,204.46
Payments for interest and dividends	496,450,783.83	491,099,353.46
Including: Dividends paid by subsidiaries to non-controlling interests	12,023,566.38	12,023,566.38
Cash used in other financing activities	411,967,875.77	
Subtotal of cash used in financing activities	2,750,964,835.83	1,688,942,557.92
Net cash generated from/used in financing activities	-288,801,161.03	-410,656,148.73
4. Effect of foreign exchange rate changes on cash and cash equivalents	17,794,234.31	-13,870,445.11
5. Net increase in cash and cash equivalents	126,882,742.71	4,525,779.25
Add: Cash and cash equivalents, beginning of the period	676,639,212.86	659,304,702.34
6. Cash and cash equivalents, end of the period	803,521,955.57	663,830,481.59

8. Cash Flow Statement of the Company as the Parent for Q1~Q3

Unit: RMB

Item	Q1~Q3 2018	Q1~Q3 2017
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	3,785,633,830.30	3,755,654,197.80
Tax rebates	106,532,179.75	111,127,591.41
Cash generated from other operating activities	43,398,321.95	34,568,683.53
Subtotal of cash generated from operating activities	3,935,564,332.00	3,901,350,472.74
Payments for commodities and services	2,128,325,245.47	2,083,382,104.36

Cash paid to and for employees	892,249,851.42	850,651,997.04
Taxes paid	126,464,943.27	152,018,949.10
Cash used in other operating activities	101,507,637.23	116,969,182.67
Subtotal of cash used in operating activities	3,248,547,677.39	3,203,022,233.17
Net cash generated from/used in operating activities	687,016,654.61	698,328,239.57
2. Cash flows from investing activities:		
Proceeds from disinvestment		
Investment income	17,976,433.62	17,976,433.62
Net proceeds from disposal of fixed assets, intangible assets and other long-lived assets	91,081,938.50	1,452,306.27
Net proceeds from disposal of subsidiaries or other business units		
Cash generated from other investing activities	489,871,987.82	299,727,304.86
Subtotal of cash generated from investing activities	598,930,359.94	319,156,044.75
Payments for acquisition of fixed assets, intangible assets and other long-lived assets	164,450,789.04	69,903,614.65
Payments for investments	350,352,500.00	57,934,750.00
Net payments for acquisition of subsidiaries and other business units		
Cash used in other investing activities	382,356,069.93	328,724,000.00
Subtotal of cash used in investing activities	897,159,358.97	456,562,364.65
Net cash generated from/used in investing activities	-298,228,999.03	-137,406,319.90
3. Cash flows from financing activities:		
Capital contributions received		
Increase in borrowings obtained	1,414,730,254.38	961,360,949.88
Net proceeds from issuance of bonds		
Cash generated from other financing activities	241,357,600.00	
Subtotal of cash generated from financing activities	1,656,087,854.38	961,360,949.88
Repayment of borrowings	1,189,079,694.80	873,419,137.33
Payments for interest and dividends	458,408,100.12	468,208,196.66
Cash used in other financing activities	411,967,875.77	
Sub-total of cash used in financing activities	2,059,455,670.69	1,341,627,333.99
Net cash generated from/used in financing activities	-403,367,816.31	-380,266,384.11
4. Effect of foreign exchange rate changes on cash and cash equivalents	-3,518,381.48	-1,809,778.95
5. Net increase in cash and cash equivalents	-18,098,542.21	178,845,756.61
Add: Cash and cash equivalents, beginning of the period	267,809,829.78	177,016,859.63
6. Cash and cash equivalents, end of the period	249,711,287.57	355,862,616.24

II Independent Auditor's Report

Indicate by tick mark whether the financial statements above have been audited by an independent auditor.

☐ Yes ☒ No

These financial statements have not been audited by such an auditor.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

31 October 2018