

Stock Code: 000726, 200726

Stock Name: LTTC, LTTC-B

Announcement No.: 2019-066

LU THAI TEXTILE CO., LTD.

THIRD QUARTER REPORT 2019 (SUMMARY)

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

	30 September 2019	31 December 2018	Change (%)	
Total assets (RMB)	11,348,273,338.95	10,537,759,811.84	7.69%	
Equity attributable to the listed company's shareholders (RMB)	7,351,503,162.46	7,146,548,467.86	2.87%	
	Q3 2019	YoY change (%)	Q1-Q3 2019	YoY change (%)
Operating revenue (RMB)	1,626,165,317.03	-6.71%	4,811,613,661.04	-4.22%
Net profit attributable to the listed company's shareholders (RMB)	176,453,154.53	-15.79%	587,899,371.12	0.17%
Net profit attributable to the listed company's shareholders before exceptional items (RMB)	172,442,753.62	-23.06%	549,259,289.55	-6.99%
Net cash generated from/used in operating activities (RMB)	--	--	481,803,616.13	-57.10%
Basic earnings per share (RMB/share)	0.20	-13.04%	0.68	6.25%
Diluted earnings per share (RMB/share)	0.20	-13.04%	0.68	6.25%
Weighted average return on equity (%)	2.44%	-0.51%	8.14%	0.06%

Exceptional gains and losses:

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Q1-Q3 2019	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-510,901.65	
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)	35,960,594.57	
Gain/Loss on changes in fair value arising from holding of trading financial assets and liabilities, derivative financial assets and liabilities and investment income from disposal of trading financial assets and liabilities, derivative financial assets and liabilities and other investments in debt obligation other than effective hedge business related to the Company's normal operating businesses	19,090,653.31	
Non-operating income and expense other than above	-5,090,217.43	
Less: Income tax effects	7,880,401.60	

Non-controlling interests effects (net of tax)	2,929,645.63	
Total	38,640,081.57	--

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 2019

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	56,184	Number of preferred shareholders with resumed voting rights (if any)			0	
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholdin g 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	16.36%	140,353,583			
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.78%	118,232,400	118,232,400		
Hong Kong Securities Clearing Co. Ltd	Foreign legal person	3.03%	25,984,811			
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.37%	20,315,300			
T.ROWE PRICE INTL DISCOVERY FUND	Foreign legal person	2.32%	19,948,219			
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.13%	18,313,391			
Hong Kong Monetary Authority-Self-owned Fund	Foreign legal person	2.04%	17,487,884			
National Social Security Fund Portfolio 103	Other	1.40%	11,999,897			
National Social Security Fund Portfolio 413	Other	0.95%	8,190,051			
ASSICURAZIONI	Other	0.76%	6,558,889			

GENERALI-DIVIDEND 2					
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	25,984,811	RMB-denominated ordinary stock		25,984,811	
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	
Hong Kong Monetary Authority -Self-owned Fund	17,487,884	RMB-denominated ordinary stock		17,487,884	
National Social Security Fund Portfolio 103	11,999,897	RMB-denominated ordinary stock		11,999,897	
National Social Security Fund Portfolio 413	8,190,051	RMB-denominated ordinary stock		8,190,051	
ASSICURAZIONI GENERALI-DIVIDEND 2	6,558,889	RMB-denominated ordinary stock		6,558,889	
RBC EMERGING MARKETS SMALL CAP EQUITY FUND	6,181,462	Domestically listed foreign stock		6,181,462	
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.

☐ Yes ☒ 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 Financial Statement Line Items and Explanation of why

√ Applicable □ Not applicable

Item	30 September 2019	31 December 2018	Change	Reason for change
Prepayments	196,906,160.26	149,582,616.21	31.64%	Increase in prepayments for agricultural means of production in the Reporting Period
Current portion of non-current assets	52,256,130.79	-	100.00%	Purchase of trust financial products in the Reporting Period
Investment property	38,266,359.35	22,880,242.95	67.25%	Transfer of operating leased houses into investment property in the Reporting Period
Construction in progress	502,791,371.42	337,230,646.42	49.09%	Increase in inputs in Yarn Dye II Project of Lu Thai (Vietnam) and equipment
Short-term borrowings	2,117,741,665.40	1,325,273,780.05	59.80%	Increase in borrowings from banks in the Reporting Period
Notes payable	22,125,109.37	502,347.05	4304.35%	Increase in bank's acceptance bills opened for payments of materials in the Reporting Period
Accounts payable	229,909,541.78	353,186,163.90	-34.90%	Payments for raw materials and equipment in the Reporting Period
Current portion of non-current liabilities	111,331,864.72	-	100.00%	Increase in current portion of long-term borrowings
Long-term borrowings	18,961,030.32	170,019,083.89	-88.85%	Reclassification of current portion of long-term borrowings into current portion of non-current liabilities
Capital reserve	256,632,428.28	699,493,647.48	-63.31%	Capital stock premium from repurchased B-shares cancelled in the Reporting Period
Treasury stock	-	486,922,944.94	-100.00%	Cancellation of repurchased B-shares in the Reporting Period
Other comprehensive income	111,894,866.80	61,157,013.37	82.96%	Increase in differences arising from the translation of foreign currency-denominated financial statements in the Reporting Period
Item	Q1~Q3 2019	Q1~Q3 2018	Change	Reason for change
Finance cost	61,156,464.30	37,733,821.10	62.07%	Increase in interest expense in the Reporting Period
Investment income	16,777,341.81	-18,388,041.25	191.24%	Increase in income from investments in derivative financial instruments and associated enterprises in

				the Reporting Period
Gain on changes in fair value	5,638,067.04	-44,112,150.00	112.78%	Losses on changes in fair value of fails-to-delivery derivative financial instruments of the same period of last year
Asset disposal income	162,416.20	23,233,253.44	-99.30%	Recognition of disposal income from demolition by Xinjiang Lu Thai in the same period of last year
Non-operating expense	9,785,667.21	3,623,862.73	170.03%	Payments for relief donations in the Reporting Period
Net cash generated from/used in operating activities	481,803,616.13	1,123,152,616.75	-57.10%	Increase in net cash outflow in relation to operating activities: 1. YoY increase of RMB331 million in cash paid for purchase of commodities and acceptance of labor services, which driven by increase in payments for cotton; 2. YoY decrease of RMB222 million in cash received from sales of commodities and providing of labor services, which driven by decline in sales of products
Net cash generated from/used in financing activities	212,302,378.28	-288,801,161.03	173.51%	YoY decrease in payments for B-share repurchase and YoY increase in cash received from obtaining borrowings in the Reporting Period

II Progress, Influence and Solutions with regard to Significant Events

√ Applicable □ Not applicable

The 28th Meeting of the 8th Board of Directors reviewed and approved ten proposals on 23 May 2019, including the Proposal of Meeting the Conditions for Public Issuance of A-share Convertible Corporate Bonds, the Proposal of Plan on Public Issuance of A-share Convertible Corporate Bonds and the Proposal of Preplan on Public Issuance of A-share Convertible Corporate Bonds. For details, please refer to the announcement (announcement No.: 2019-039) disclosed on www.cninfo.com.cn on 24 May 2019. The 3rd Extraordinary General Meeting of 2019 reviewed and approved ten proposals on 16 September 2019, including the Proposal of Meeting the Conditions for Public Issuance of A-share Convertible Corporate Bonds, the Proposal of Plan on Public Issuance of A-share Convertible Corporate Bonds, the Proposal of Preplan on Public Issuance of A-share Convertible Corporate Bonds and the Proposal of Change in Audit Institution. For details, please refer to the announcement (announcement No.: 2019-059) disclosed on www.cninfo.com.cn on 17 September 2019. The Company received the Acceptance Form on Application for CSRC Administrative License issued by CSRC (No. 192620) on 15 October 2019. For details, please refer to the relevant announcement (announcement No.: 2019-064) disclosed on www.cninfo.com.cn on 16 October 2019.

Overview of significant events	Disclosure date	Announcement index
The progress of relevant matters for public issuance of A-share Convertible Corporate Bonds	24 May 2019	Announcements on www.cninfo.com.cn
	17 September 2019	Announcements on www.cninfo.com.cn
	15 October 2019	Announcements on www.cninfo.com.cn

Progress of any share repurchase:

□ Applicable √ Not applicable

Progress of any reduction of the repurchased shares through centralized bidding:

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

IV Securities Investments

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

V Wealth Management Entrustment

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Type of wealth management	Funding source	Principal	Outstanding amount before maturity	Overdue amount
Other	Self-funded	0	3,000	0
Trust finance products	Self-funded	5,000	5,000	0
Total		5,000	8,000	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 product	Principal	Funding source	Start date	End date	Investment with principal	Way of payback	Reference annualized return (%)	Expected return (if any)	Actual gain/loss in Reporting Period	Collection/payment of gain/loss in Reporting Period	Impairment allowance (if any)	Through prescribed procedure or not	Any plan for further entrustment	Overview and index to more information (if any)
Gopher Asset Management Co., Ltd	Fund corporation	Fixed-income	3,000	Self-funded	22 December 2017	26 December 2019	Granting of trust loans to HOME	Annual payment of interests and payment of	8.50%	255	250.32	N/A		Yes	Temporarily no	

							CREDIT	principal upon maturity								
Avic trust co. LTD	Trust company	Fixed-income	5,000	Self-funded	7 March 2019	9 March 2020	Investment trust assets	Payment of principal and interest upon maturity	8.00%	400	0	N/A		Yes	Temporarily no	
Total			8,000	--	--	--	--	--	--	655	250.32	--		--	--	--

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

☐ Applicable ☒ Not applicable

VI Investments in Derivative Financial Instruments

☒ Applicable ☐ Not applicable

Unit: RMB'0,000

Counterparty	Relationship with the Company	Related-party transaction or not	Type of derivative	Initial investment amount	Start date	End date	Beginning investment	Purchased in Reporting Period	Sold in Reporting Period	Impairment allowance (if any)	Ending investment	Ending investment as % of the Company's ending net assets	Actual gain/loss in Reporting Period
Commercial bank	Non-connected	No	Forward exchange settlement	98,187.76	19 June 2018	11 November 2019	6,512.05	91,675.71	93,944.02		4,243.74	0.53%	776.34
Commercial bank	Non-connected	No	Foreign exchange option	16,018.76	23 March 2018	30 August 2019	1,909.89	14,108.87	16,018.76		0		40.15
Commercial bank	Non-connected	No	Forward exchange transactions	3,049.7	28 September 2018	10 May 2019	1,610.11	1,439.59	3,049.7		0		50.04

Total	117,256.22	--	--	10,032.05	107,224.17	113,012.48		4,243.74	0.53%	866.53
Funding source	Self-funded									
Legal matters involved (if applicable)	N/A									
Disclosure date of board of directors announcement on approval of derivative investment (if any)	27 April 2018 30 April 2019									
Disclosure date of general meeting of shareholders announcement on approval of derivative investment (if any)										
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 to be taken include: the Company determines the upper limit of derivatives transaction amounts according to production and operation scale as well as foreign exchange income, and conducts operations by stage according to the budget of future collections and disbursement. The derivative trades are free of guarantee deposit and can still be guaranteed in performance after the contract expires by means of extension and balance settlement etc. to prevent the Company from credit damages due to lack of liquidity. The Company selects financial institutions with strong capability and good reputation as a counterparty and signs standard derivative trading contracts to strictly control credit risk of the counterparty.</p> <p>3. Operation risk:</p> <p>The derivatives had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the operation procedures and approval procedures system to conduct derivative products transaction, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the professional ethics education and business training for them. Besides, it established the System of Reporting the Abnormal Situation Timely so as to ensure to lower the operation risks to the maximum.</p> <p>4. Risk of laws and regulation:</p>									

	<p>The Company conducted derivatives products transaction in strict accordance with relevant laws and rules. If there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. Risk control measures: The Company carefully studied and mastered laws, regulations and policies relevant to derivative products transaction, formulated internal control rules for the forward settlement hedging business, standardized the operation procedures. And strengthened the compliant examination on derivative products transaction business. The Company conducted derivative transaction business according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Transaction of Lu Thai Textile Co., Ltd., and the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative Transactions approved at the 17th Meeting of the 8th Board of Directors on 25 April 2018 and the 26th Meeting of the 8th Board of Directors on 29 April 2019, 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 2019, the Company held financial derivative worth USD6 million in totals, which was forward settlement of exchange executed in accordance with the contracts. The latest contract expiration date was 11 November 2019. Financial derivatives occupied 0.53 % of the net assets as at the period end.</p> <p>2. In Q1~Q3 2019, the amount of maturing financial derivatives of the Company amounted to USD165.0969 million which was executed as per the contract in full, which generated an income of RMB8.6653 million. The delivery amount of forward settlement of exchange amounted to USD137.1132 million which generated an income of RMB7.7634 million; the delivery amount of foreign exchange options was USD23.5 million which generated an income of RMB0.4015 million. The delivery amount of foreign exchange transaction amounted to USD4.4837 million which generated an income of RMB0.5004 million.</p>
Major changes in accounting policies and specific accounting principles adopted for derivative investments in Reporting Period compared to last reporting period	No significant changes
Opinion of independent directors on derivative investments and risk control	<p>The Company's independent directors Zhou Zhiji, Bi Xiuli, Pan Ailing, Wang Xinyu and Qu Dongmei concerning conducting derivatives business, have issued the following professional advice: We are of the opinion that it will strengthen the Company's competitiveness to use derivative transactions with focus on forward settlement and purchase as an effective tool to avoid foreign exchange risks, to strengthen the relevant internal control and to carry out the loss and risk prevention measures so as to improve the operation and management. In conducting derivative transactions with focus on forward settlement and purchase, the Company follows a legal approval procedure, has sound relevant institutions and keeps the risks relatively controllable. No harm has been done to the interests of the Company's shareholders.</p>

VII Communications with the Investment Community such as Researches, Inquiries and Interviews during the Reporting Period

√ Applicable □ Not applicable

Date	Way of communication	Type of communication	Index to main information
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		party	communicated
29 March 2019	By phone	Individual	Basic information of the Company

VIII Irregularities in the Provision of Guarantees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Signature of the Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

30 October 2019