



LU THAI TEXTILE CO., LTD.

ANNUAL REPORT 2019

April 2020

Part I Important Notes, Table of Contents and Definitions

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. (hereinafter referred to as the “Company”) 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.

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.

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

The Company has described in detail in this Report the possible risks. Please refer to the contents about the major risks and countermeasures in “Outlook of the Company’s future development” in “Part IV Operating Performance Discussion and Analysis” of this Report.

Securities Times, Shanghai Securities News, China Securities Journal, Ta Kung Pao (HK) and www.cninfo.com.cn have been designated by the Company for its information disclosure in 2020. And all information about the Company shall be subject to what’s disclosed by the Company on the aforesaid media. Investors are kindly reminded to pay attention to investment risks.

The Board has approved a final dividend plan as follows: based on the 858,121,541 shares, a cash dividend of RMB1.00 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

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.

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Definitions

Term	Definition
The “Company”, “LTTC”, “Issuer” or “we”	Lu Thai Textile Co., Ltd. and its consolidated subsidiaries, except where the context otherwise requires
The Board of Directors	The Board of Directors of Lu Thai Textile Co., Ltd.
The Supervisory Committee	The Supervisory Committee of Lu Thai Textile Co., Ltd.
CSRC	The China Securities Regulatory Commission
RMB, RMB’0,000	Expressed in the Chinese currency of Renminbi, expressed in ten thousand Renminbi
The “Company Law”	The “Company Law of the People’s Republic of China”
The “Securities Law”	The “Securities Law of the People’s Republic of China”
The “Reporting Period” or “Current Period”	The period from 1 January 2019 to 31 December 2019

Part II Corporate Information and Key Financial Information

I Corporate Information

Stock name	L TTC, L TTC-B	Stock code	000726, 200726
Changed stock name (if any)	N/A		
Stock exchange for stock listing	Shenzhen Stock Exchange		
Company name in Chinese	鲁泰纺织股份有限公司		
Abbr.	鲁泰纺织		
Company name in English (if any)	LU THAI TEXTILE CO., LTD		
Abbr. (if any)	L TTC		
Legal representative	Liu Zibin		
Registered address	No. 11, Mingbo Road, High-tech Industry Development Zone, Zibo, Shandong, P.R.China		
Zip code	255086		
Office address	No. 81, Songling East Road, Zichuan District, Zibo, Shandong, P.R.China		
Zip code	255100		
Company website	www.lttc.com.cn		
Email address	lttc@lttc.com.cn		

II Contact Information

	Board Secretary	Securities Representative
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III Media for Information Disclosure and Place where this Report Is Lodged

Newspapers designated by the Company for information disclosure	Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao (HK)
Website designated by CSRC for publication of this	www.cninfo.com.cn

Report	
Place where this Report is lodged	The Securities Department of the Company

IV Change to Company Registered Information

Unified social credit code	91370300613281175K
Change to principal activity of the Company since going public (if any)	No change
Every change of controlling shareholder since incorporation (if any)	No change

V Other Information

The independent audit firm hired by the Company:

Name	Grant Thornton China
Office address	5th Floor, Scitech Palace 22 Jianguomen Wai Avenue, Chaoyang District, Beijing
Accountants writing signatures	Wei Qianting and Guo Dongmei

The independent sponsor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

The independent financial advisor hired by the Company to exercise constant supervision over the Company in the Reporting Period:

Applicable Not applicable

VI Key Financial Information

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

Yes No

	2019	2018	2019-over-2018 change (%)	2017
Operating revenue (RMB)	6,801,381,448.94	6,879,058,813.93	-1.13%	6,409,224,044.97
Net profit attributable to the listed company's shareholders (RMB)	952,386,011.49	811,526,477.83	17.36%	841,150,934.75
Net profit attributable to the listed company's shareholders before exceptional gains and losses (RMB)	662,416,013.00	805,197,824.28	-17.73%	780,637,833.47
Net cash generated from/used in operating activities (RMB)	1,086,110,575.51	1,430,341,663.16	-24.07%	1,070,510,653.43
Basic earnings per share (RMB/share)	1.11	0.90	23.33%	0.91
Diluted earnings per share (RMB/share)	1.11	0.90	23.33%	0.91

Weighted average return on equity (%)	12.96%	11.24%	1.72%	11.87%
	31 December 2019	31 December 2018	Change of 31 December 2019 over 31 December 2018 (%)	31 December 2017
Total assets (RMB)	11,885,431,553.08	10,537,759,811.84	12.79%	10,170,624,027.75
Equity attributable to the listed company's shareholders (RMB)	7,697,135,324.92	7,146,548,467.86	7.70%	7,230,942,770.16

VII Accounting Data Differences under China's Accounting Standards for Business Enterprises (CAS) and International Financial Reporting Standards (IFRS) and Foreign Accounting Standards

1. Net Profit and Equity under CAS and IFRS

Applicable Not applicable

No difference for the Reporting Period.

2. Net Profit and Equity under CAS and Foreign Accounting Standards

Applicable Not applicable

No difference for the Reporting Period.

VIII Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,545,153,566.09	1,640,294,777.92	1,626,165,317.03	1,989,767,787.90
Net profit attributable to the listed company's shareholders	195,173,391.82	216,272,824.77	176,453,154.53	364,486,640.37
Net profit attributable to the listed company's shareholders before exceptional gains and losses	175,390,785.73	201,425,750.20	172,442,753.62	113,156,723.45
Net cash generated from/used in operating activities	-89,714,180.16	209,431,242.73	362,086,553.56	604,306,959.38

Indicate by tick mark whether any of the quarterly financial data in the table above or their summations differs materially from what have been disclosed in the Company's quarterly or interim reports.

Yes No

IX Exceptional Gains and Losses

Applicable Not applicable

Unit: RMB

Item	2019	2018	2017	Note
Gain or loss on disposal of non-current assets (inclusive of impairment allowance write-offs)	-1,196,233.94	20,670,427.42	-1,326,737.85	
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 the government's uniform standards)	62,198,864.45	63,680,098.12	66,031,583.92	
Current profit or loss on subsidiaries obtained in business combinations involving enterprises under common control from the period-beginning to combination dates, net			4,145,908.17	
Gain or loss on fair-value changes in held-for-trading and derivative financial assets and liabilities & income from disposal of held-for-trading and derivative financial assets and liabilities and other investments in debt obligations (exclusive of the effective portion of hedges that arise in the Company's ordinary course of business)	241,537,682.90	-63,632,606.67	4,794,598.32	
Non-operating income and expense other than the above	-2,857,141.21	2,784,021.34	4,638,779.84	
Income from disposal of held-for-trading financial assets, financial liabilities and investments in debt obligations	14,162,405.95			
Less: Income tax effects	14,593,639.87	6,656,476.16	8,690,224.28	
Non-controlling interests effects (net of tax)	9,281,939.79	10,516,810.50	9,080,806.84	
Total	289,969,998.49	6,328,653.55	60,513,101.28	--

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.

Part III Business Summary

I Principal Activity of the Company in the Reporting Period

No changes occurred to the Company's core businesses, primary products, business models and major growth drivers in the Reporting Period.

Lu Thai has always adhered to its mission of "creating wealth, contributing to the society, clothing the world and weaving our way to every corner of the globe", as well as to its values of "people foremost policy, rigorous scientific attitude, client oriented principle and integrity for win-win outcome" for a long time. It is devoted to improving and expanding its industrial chain, making it a renowned textile and garment business group combing cotton growing, spinning, bleaching and dyeing, neatening, testing, garment making and marketing. Lu Thai produces and sells middle and high-grade yarn-dyed fabric and dyeing fabric for shirts and garment. It claimed its fame for its comprehensive management, R&D ability, advanced technology, international development plan and stable quality. Moreover, it also attaches great importance to improve the added value of its products, explore the emerging market and renew its service philosophy. With natural fabric as its flagship, multi-component functional fiber fabric as its spearhead and wash-and-wear non-ironing technology as its core competency, the Company kept a watchful eye on the latest consumption trend. Great attention was paid to improve its healthy product series so as to satisfy the needs from the diversified and personalized market.

Lu Thai has become the world's largest high-grade yarn dyed fabric producer and a world-class premium shirt provider. It had paved its development pattern featured in going green, low-carbon growth, science and technology and humanism. Its operation performance was always among the top comparing to its peers. 60% of Lu Thai's products are exported to over 30 countries and regions including America, the EU and Japan, of which more than 70% is under the Company's own brand.

II Significant Changes in Major Assets

1. Significant Changes in Major Assets

Applicable Not applicable

2. Major Assets Overseas

Applicable Not applicable

Asset	Source	Asset value (RMB)	Location	Management model	Control measures to protect asset safety	Return generated (RMB)	As % of the Company's equity	Material impairment risk (yes/no)
Lu Thai (Hong Kong) Textile Co., Ltd.	Incorporated	200,352,532.10	Hong Kong	Marketing	Main management personnel sent by the Company as the parent	11,695,969.47	2.41%	No
Lu Thai (America)	Incorp	11,902,346.89	New	Marketi	Main	834,739.89	0.14%	No

Textile Co., Ltd.	orated		York	ng	management personnel sent by the Company as the parent			
Lu Thai (Cambodia) Textile Co., Ltd.	Incorp orated	183,377,369.00	Svay Rieng	Manufac turing	Main management personnel sent by the Company as the parent	26,790,366.68	2.21%	No
Lu Thai (Burma) Textile Co., Ltd.	Incorp orated	79,716,109.94	Rangoon	Manufac turing	Main management personnel sent by the Company as the parent	8,701,103.83	0.96%	No
Lu Thai (Vietnam) Textile Co., Ltd.	Incorp orated	2,517,102,848.13	Tay Ninh	Manufac turing	Main management personnel sent by the Company as the parent	32,654,676.83	30.33%	No
Lu An Garments Co., Ltd.	Incorp orated	210,839,742.85	Anjiang, Vietnam	Manufac turing	Main management personnel sent by the Company as the parent	6,783,681.59	2.54%	No

III Core Competitiveness Analysis

Within the Reporting Period, the Company still maintained its core competitiveness consisting of the integrated management capability of the whole industrial chain, R&D ability, technological accumulation and internationalized layout.

1. The Company has the whole industrial chain and internationalized layout. As the Company possesses the whole industrial chain integrating cotton growing, spinning, bleaching and dyeing, neatening, testing, and garment making, it has corresponding cost advantage covering various links of the production of high-end yarn-dyed fabrics. In order to take full advantage of its international resources, realize the internationalized industrial distribution and reinforce the leading international status in manufacturing the yarn-dyed fabrics, the Company has built various production bases in Cambodia, Burma and Vietnam etc., and established the design agency in Italy, and the market service offices in the U.S.A, Japan and India.

2. The Company has better integrated management capability and high-level management system architecture. Since 1995, the Company has successively passed the certification of ISO9000 quality management system, ISO14000 environmental management system, OHSAS18000 Occupation Health Safety Management System, and SA8000 Social Responsibility Management System. From 2007 to this day, the Company has obtained the WRAP:1999 (The Worldwide Responsible Apparel Production) Standard, STeP and GOTS Certification Standards, GRS Certification and CNAS, and realized the internationalization, standardization and normalization of the corporate management. In order to make outstanding achievement in its operating management, better improve the Company's business performance and capabilities, the Company has introduced the GB/T19580-2012 Criteria for Performance Excellence step by step, set up the "big quality" system, promoted the management innovation and guaranteed the management

quality.

3. The Company establishes its high-level technical cooperation platform by virtue of strong R&D capability. In fact, the Company always insists on the independent innovation, enhances its technical cooperation with various research institutes, colleges and universities, strategic clients and important suppliers by relying on various technical platforms including the national enterprise technical center, the national industrial design center, the national demonstration base for introducing talents, the national post-doctoral scientific research station and Shandong Provincial Engineering Technology Research Center, dedicates itself to the cutting-edge technical research, and gradually transforms from the product R&D to the technical research. Besides, the Company will also transform from the overcoming of key technical difficulties to the mastery of technical principles and the formulation of industrial standards, and from the focus on technical innovation to the dynamic integration of new technique exploration with model innovation, improve the low-carbon, green and sustainable development, enhance the impetus and vigor for the enterprise development, promote the contribution of scientific and technological progress to the industrial development and propel the industrial upgrading.

Part IV Operating Performance Discussion and Analysis

I Overview

In 2019, under the dual influence of the continuous international trade friction and the domestic economic downturn, the Company still adhered to its own development concept, focused on the customers, regarded “vitalize the stocks, expand the increment, strengthen the industry and resort to moderate operation” as the guiding principle, made unremitting effort to execute the strategy of “quality and efficiency improvement” and “comprehensive internationalization”, insisted on the high-quality development, steadily made progress in various works and maintained the healthy and stable development trend.

For the Reporting Period, the Company achieved operating revenue of RMB6.801 billion, operating profit of RMB1.132 billion, a net profit attributable to the listed company’s shareholders of RMB952 million, and a net profit before exceptional gains and losses of RMB662 million, respectively down 1.13%, up 16.73%, up 17.36% and down 17.73% when compared to last year. Within the Reporting Period, no change occurred to the Company’s main business, and main source and structure of profit. Within the Reporting Period, the Company was rated “Top-100 Enterprise in Main Business Income in Cotton Textile Industry in 2018” by CCTA, “Top-10 Enterprise in Business income in Color Weaving Industry in 2018”, “Top-100 Competitive Enterprise in China’s Cotton Textile Industry in 2018”, and “Top-100 Enterprise in China’s Clothing Industry in 2018” by CNGA. Besides, the Company was also entitled as “The Representative Unit with the Inclusive and Open Enterprise Spirit in the 70th Anniversary of New China” by CCCI, and “Advanced Enterprise in Performing the Party Building in China’s Textile Industry” by CNTAC.

(I) Focus on the Customers and Rely on the Reform to Develop the New Kinetic Energy for the High-quality Development

Within the Reporting Period, the Company continued focusing on the customers and implementing the enterprise reform step by step. In addition, in combination with the Group’s idea of “a game of chess”, the Company, following the development path of “Strategy-System-Organization-Incentive”, and took the initiative in provoking the reform in four aspects--Strategy, Marketing, Product Development and Organization & Performance so as to develop the Company into the global clothing solution supplier with the leading fabric as the core, and maintain the sustainable, healthy and steady development.

Firstly, the Company made full use of various resources to make great breakthrough and optimize the customer structure, and effectively expanded the market based on the collaboration of marketing, R&D and supply chain. While consolidating the traditional European, American and Japanese Market and strategic customers, the Company also made great effort to expand the emerging market in China, Asia and Africa and develop small and medium-sized customers. Moreover, popular design, advanced technology and efficient production were applied to cater for the market features including fast fashion, small orders and short delivery time etc..

Secondly, the Company improved the design capability and upgraded the service. In order to provide the customers with the all-round product solution, the Company expanded its design service to realize the service upgrading, promoted the product structure adjustment, comprehensively developed the comfortable and elastic fabrics, the printed fabrics and the polyester fabrics and gradually transformed into the leisure and diversified style. Within the Reporting Period, the Company made corresponding progress in the research and development of the multi-component series of products, the development of the working clothes, the development of four-sided elastic fabrics and the development of yarn-dyeing easy-care high-elastic fabrics. In 2019, the Company finished 41,630 clothing designs, independently developed 26 new products and customized 22 products. Based on the special effort made to develop the key projects, the Company made great breakthrough in the field of knitted fabrics.

Furthermore, in order to improve the comprehensive service and R&D ability, the Company invested and built the R&D center capable of the pilot scale test, strengthened the linkage and synergy between the product development and technical research, and promoted the integration of various related scientific research platforms.

(II) Continuously Boost the Strategy of Quality and Efficiency Improvement and Drive the New Force for High-quality

Development.

In respect of technological transformation: in 2019, the Company highlighted the construction of weaving and high-end gray fabrics production line technological transformation projects. Especially, the Company invested a total of RMB2.5 billion to the functional fabrics intelligent ecological park project under construction. Besides, the project is now listed into Zibo Municipal Old and New Kinetic Energy Conversion Project (Shandong Provincial Major Project in 2020) and will be developed into a demonstration innovation park integrating the intelligent manufacturing, green processing and industrial upgrading.

In respect of management innovation: in 2019, the Company continued promoting the Group's data integration, strengthened the Group's comprehensive budget management and cost control, improved the Group's financial management quality, fended off possible financial risks, enhanced the human resources management and the talent selection, training and retention work, and perfected the remuneration, performance management and incentive mechanism. In terms of the system management, continuous effort was made to completely propel the excellent performance management and perfect the Lu Thai Production System (LTPS).

In respect of scientific and technological innovation: based on the industrial development trend and the customer's demand, the Company continuously strengthened its scientific and technological innovation, and overcame great difficulties arising from the industrial chain's core technology and weak links. Besides, the Company also propelled 17 company-level technical improvement tasks and 127 ministerial technical tasks, and declared 28 projects above the ministerial and provincial level. However, 2 new products were ranked among Top-10 Innovative Products in the Industry; 2 "The 13th Five-year Plan" National Key R&D Plans passed the medium-term assessment conducted by the Ministry of Science and Technology; Shandong Provincial Key Enterprise Laboratory passed the biennial evaluation. Meanwhile, the Company won 4 awards for scientific and technological advancement above the ministerial and provincial level, and the "textile fabric color digitization key technology and industrialization" project won the second prize of national science and technology award. Furthermore, the Company obtained 37 authorized patents, and guided or participated in the formulation of 8 national and industrial standards.

In addition, the Company accelerated the in-depth integration between digitization and industrialization, advocated the centralized management-control mode, completed the system integration of the Group's financial system and supply chain system, continuously propelled the APS and the optimization of MES, deepened the industrial control technology and intelligent manufacturing technology application, and continuously improved its informatization and intellectualization level.

(III) Continue the Comprehensive Internationalization Strategy

In respect of foreign design and R&D: in 2019, the Company continuously deepened its globalized strategic layout to exert various branch offices' functions. By making full use of the cutting-edge advantages of various branches and offices in Hong Kong, Milan, New York, Tokyo and Bangalore etc., the Company vigorously applied various design and R&D resources to stimulate the industrial chain's synergy effect, encouraged the customers to upgrade their products and realized the value-added design service.

In respect of overseas customers development: by enhancing the seamless communication with the customers, the Company could provide the customers with diversified product and service programs, and positively develop new customers while maintaining old customers. In order to promote and popularize new products and improve the product awareness, the Company successively attended 13 fairs in France, Italy, Spain, Denmark, Russia and America.

Moreover, in terms of the construction of marketing channels, the Company established the U.K Office, Russian Office and Ho Chi Minh Office to provide the strategic customers and valuable customers with the close-range design and R&D customized service, gradually advanced the sales, maintained a steady increase of orders and improved its profitability.

In respect of international capacity construction: the Company steadily propelled the construction of overseas production bases, smoothly operated the yarn dye business in Vietnam and the garment making business in Vietnam, Cambodia and Burma. As a result, the number of orders obviously increased and the efficiency was largely improved. While making use of the local tax preferences and labor resources, the Company moderately avoided the adverse impact caused by the Sino-US trade friction. Meanwhile, various overseas production bases promoted the localization of lower management, the synergy of product structure and the integration of technical resources step by step so as to enable the four overseas production bases to largely improve the production and sales and

complete their annual business objectives.

(IV) Continuously Promote and Increase the Investment in Environmental Protection and Realize the Company's Green Development.

Within the Reporting Period, the Company focused on the green manufacturing, continuously improved the chemical control, enhanced the supply chain environmental footprint management, and implemented the upgrading and reconstruction of sewage treatment plants. Meanwhile, the power plants introduced the low-nitrogen combustion equipment to reinforce the air pollution prevention and performed the special management of solid wastes and hazardous wastes. Further, the Company made great effort to advocate the sewage waste heat transfer technology, positively promoted the recycled water reuse technology application and research, and passed the green factory audit conducted by the MIIT.

At present, the Company has regarded the natural fiber fabrics as the principle line, the multi-component functional fiber fabrics the guiding line, the wash-and-wear super easy-care technology the core, the knitted elastic fabrics the breakthrough direction, the world's cutting-edge consumption the orientation and the international industrial layout the base to realize its integrated development and guarantee its leading position in the field of yarn-dyed shirt fabrics.

II Core Business Analysis

1. Overview

For the Reporting Period, the Company recorded operating revenue of RMB6.801 billion (a 1.13% year-on-year decrease); cost of sales of RMB4.791 billion (a 1.64% year-on-year decrease), including selling expense of RMB168 million (a 6.4% year-on-year rise) and administrative expense of RMB436 million (a 11.58% year-on-year increase); research and development expense of RMB317 million (a 9.39% year-on-year increase); and net cash generated from operating activities of RMB1.086 billion (a 24.07% year-on-year drop).

2. Revenue and Cost Analysis

(1) Breakdown of Operating Revenue

Unit: RMB

	2019		2018		Change (%)
	Operating revenue	As % of total operating revenue (%)	Operating revenue	As % of total operating revenue (%)	
Total	6,801,381,448.94	100%	6,879,058,813.93	100%	-1.13%
By operating division					
Textile and apparel	6,200,013,276.17	91.16%	6,208,566,844.56	90.25%	-0.14%
Cotton	14,064,809.50	0.21%	101,088,256.72	1.47%	-86.09%
Electricity and steam	157,581,305.05	2.32%	154,470,651.72	2.25%	2.01%
Others	429,722,058.22	6.32%	414,933,060.93	6.03%	3.56%
By product category					
Fabric products	4,909,745,821.91	72.19%	4,926,081,389.35	71.61%	-0.33%

Shirts	1,290,267,454.26	18.97%	1,282,485,455.21	18.64%	0.61%
Cotton	14,064,809.50	0.21%	101,088,256.72	1.47%	-86.09%
Electricity and steam	157,581,305.05	2.32%	154,470,651.72	2.25%	2.01%
Others	429,722,058.22	6.32%	414,933,060.93	6.03%	3.56%
By operating segment					
Hong Kong	267,880,620.85	3.94%	263,460,345.34	3.83%	1.68%
Japan And South Korea	437,324,606.90	6.43%	451,954,695.71	6.57%	-3.24%
Southeast Asia	2,077,793,566.16	30.55%	2,010,251,958.96	29.22%	3.36%
Europe and America	1,127,470,815.82	16.58%	1,224,318,099.10	17.80%	-7.91%
Others	443,227,080.72	6.52%	388,746,153.95	5.65%	14.01%
Mainland China	2,447,684,758.49	35.99%	2,540,327,560.87	36.93%	-3.65%

(2) Operating Division, Product Category or Operating Segment Contributing over 10% of Operating Revenue or Operating Profit

√ Applicable □ Not applicable

Unit: RMB

	Operating revenue	Cost of sales	Gross profit margin	YoY change in operating revenue (%)	YoY change in cost of sales (%)	YoY change in gross profit margin (%)
By operating division						
Textile and apparel	6,200,013,276.17	4,317,537,053.82	30.36%	-0.14%	-0.14%	0.00%
By product category						
Fabric products	4,909,745,821.91	3,411,135,055.55	30.52%	-0.33%	-0.09%	-0.17%
Shirts	1,290,267,454.26	906,401,998.27	29.75%	0.61%	-0.31%	0.65%
By operating segment						
Southeast Asia	2,077,793,566.16	1,443,825,054.21	30.51%	3.36%	3.58%	-0.15%
Europe and America	1,127,470,815.82	788,096,374.51	30.10%	-7.91%	-8.22%	0.24%
Mainland China	2,447,684,758.49	1,757,973,857.55	28.18%	-3.65%	-4.36%	0.53%

Core business data of the prior year restated according to the changed statistical caliber for the Reporting Period:

□ Applicable √ Not applicable

(3) Whether Revenue from Physical Sales Is Higher than Service Revenue√ Yes No

Operating division	Item	Unit	2019	2018	Change (%)
Textile and fabric	Unit sales	0,000 meters	24,872.14	25,494.21	-2.44%
	Output	0,000 meters	27,594.29	28,752.73	-4.03%
	Inventory	0,000 meters	3,897.93	3,640.18	7.08%
Textile and apparel	Unit sales	0,000 pieces	1,836.81	1,889.35	-2.78%
	Output	0,000 pieces	1,826.4	1,868.74	-2.27%
	Inventory	0,000 pieces	61.28	77.62	-21.05%
Cotton	Unit sales	ton	664.19	6,610.89	-89.95%
	Output	ton	13,952.24	17,680.56	-21.09%
	Inventory	ton	5,943	8,205.95	-27.58%
Electricity	Unit sales	000 KWH	118,444.03	104,570.59	13.27%
	Output	000 KWH	438,795.21	445,490.43	-1.50%
	Inventory	000 KWH			
Steam	Unit sales	ton	389,968.19	478,012.13	-18.42%
	Output	ton	1,303,340.54	1,434,662.48	-9.15%
	Inventory	ton			

Any over 30% YoY movements in the data above and why:

√ Applicable Not applicable

Unit sales of cotton in 2019 decreased by 89.95% from last year, mainly due to the decrease of external cotton sales from outside companies of the Group.

(4) Execution Progress of Major Signed Sales Contracts in the Reporting Period Applicable Not applicable**(5) Breakdown of Cost of Sales**

By operating division and product category

Unit: RMB

Operating division	Item	2019		2018		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Textile and apparel	Cost of sales	4,317,537,053.82	90.13%	4,323,535,187.46	88.94%	-0.14%
Cotton	Cost of sales	12,191,266.36	0.25%	93,918,390.99	1.93%	-87.02%

Electricity and steam	Cost of sales	156,970,101.07	3.28%	154,888,713.67	3.19%	1.34%
Other	Cost of sales	303,906,684.11	6.34%	289,100,950.83	5.95%	5.12%

Unit: RMB

Product category	Item	2019		2018		Change (%)
		Cost of sales	As % of total cost of sales (%)	Cost of sales	As % of total cost of sales (%)	
Fabric products	Cost of sales	3,411,135,055.55	71.20%	3,414,309,296.66	70.23%	-0.09%
Shirts	Cost of sales	906,401,998.27	18.92%	909,225,890.80	18.70%	-0.31%
Cotton	Cost of sales	12,191,266.36	0.25%	93,918,390.99	1.93%	-87.02%
Electricity and steam	Cost of sales	156,970,101.07	3.28%	154,888,713.67	3.19%	1.34%
Other	Cost of sales	303,906,684.11	6.34%	289,100,950.83	5.95%	5.12%

Note

Product	Period	Raw material	Labor cost	Depreciation	Energy	Manufacture expenses	Total
Fabric	2019	53.36%	18.15%	5.70%	12.99%	9.80%	100.00%
	2018	56.77%	17.56%	5.50%	12.66%	7.51%	100.00%
Shirts	2019	58.53%	34.15%	2.29%	1.05%	3.98%	100.00%
	2018	55.73%	37.48%	2.14%	0.92%	3.73%	100.00%

(6) Changes in the Scope of Consolidated Financial Statements for the Reporting Period

√ Yes □ No

The Company incorporated three subsidiaries: Shandong Lulian New Materials Co., Ltd., Shandong Lujia Import & Export Co., Ltd. and Lu Thai Vocational School and one sub-subsidiary Lu Thai (Tan Chau) Textile Co., Ltd., cancelled the sub-subsidiary Zibo Helijie Energy-saving Technology Service Co., Ltd. and merged the sub-subsidiary Zibo Chengshun Heating Co., Ltd.

(7) Major Changes to the Business Scope or Product or Service Range in the Reporting Period

□ Applicable √ Not applicable

(8) Major Customers and Suppliers

Major customers:

Total sales to top five customers (RMB)	1,425,103,584.46
Total sales to top five customers as % of total sales of the Reporting Period (%)	20.95%
Total sales to related parties among top five customers as % of total sales of the Reporting Period (%)	0.00%

Information about top five customers:

No.	Customer	Sales revenue contributed for the Reporting Period (RMB)	As % of total sales revenue (%)
1	A	496,534,014.10	7.30%
2	B	336,810,472.44	4.95%
3	C	262,600,302.41	3.86%
4	D	167,688,100.72	2.47%
5	E	161,470,694.79	2.37%
Total	--	1,425,103,584.46	20.95%

Other information about major customers:

Applicable Not applicable

Major suppliers:

Total purchases from top five suppliers (RMB)	942,752,587.65
Total purchases from top five suppliers as % of total purchases of the Reporting Period (%)	21.23%
Total purchases from related parties among top five suppliers as % of total purchases of the Reporting Period (%)	0.00%

Information about top five suppliers:

No.	Supplier	Purchase in the Reporting Period (RMB)	As % of total purchases (%)
1	A	274,531,921.72	6.18%
2	B	208,593,543.80	4.70%
3	C	168,929,618.35	3.80%
4	D	149,550,667.33	3.37%
5	E	141,146,836.45	3.18%
Total	--	942,752,587.65	21.23%

Other information about major suppliers:

Applicable Not applicable

3. Expense

Unit: RMB

	2019	2018	Change (%)	Reason for any significant change
Selling expense	168,227,064.83	158,106,183.74	6.40%	
Administrative expense	436,171,656.30	390,911,763.27	11.58%	

Finance costs	96,179,716.62	48,779,680.31	97.17%	The finance costs of 2019 is RMB96,179,716.62 with a YoY increase of 97.17%, primarily due to the increase of interest expense caused by the increase in bank borrowings and the decrease of interest income caused by the decrease in deposits for the Reporting Period.
R&D expense	316,575,474.85	289,395,092.58	9.39%	

4. R&D Expense

Applicable Not applicable

With leading the technology development in the industry as the goal, the research staff of the Company work hard in new product development, new technology promotion and transformation of new technological results to productivity to explore ways for transforming the business mode, adjusting the structure and extending the industrial chain. These efforts will promote the Company's development towards an energy-saving and environment-friendly enterprise and truly achieve the sustainable development.

Details about R&D expense:

	2019	2018	Change (%)
Number of R&D personnel	1,714	1,867	-8.19%
R&D personnel as % of total employees	11.89%	11.79%	0.10%
R&D expense (RMB)	316,575,474.85	289,395,092.58	9.39%
R&D expense as % of operating revenue	4.65%	4.21%	0.44%
Capitalized R&D expense (RMB)	0.00	0.00	0.00%
Capitalized R&D expense as % of total R&D expense	0.00%	0.00%	0.00%

Reasons for any significant YoY change in the percentage of R&D expense in operating revenue:

Applicable Not applicable

Reason for any sharp variation in the percentage of capitalized R&D expense and rationale:

Applicable Not applicable

5. Cash Flows

Unit: RMB

Item	2019	2018	Change (%)
Subtotal of cash generated from operating activities	6,870,532,638.88	6,900,228,651.30	-0.43%
Subtotal of cash used in operating activities	5,784,422,063.37	5,469,886,988.14	5.75%
Net cash generated from/used in operating activities	1,086,110,575.51	1,430,341,663.16	-24.07%
Subtotal of cash generated from investing activities	90,780,303.67	115,825,451.80	-21.62%

Subtotal of cash used in investing activities	878,837,255.97	1,002,392,250.74	-12.33%
Net cash generated from/used in investing activities	-788,056,952.30	-886,566,798.94	11.11%
Subtotal of cash generated from financing activities	4,170,463,313.14	3,282,459,288.75	27.05%
Subtotal of cash used in financing activities	4,121,225,344.37	3,969,383,669.10	3.83%
Net cash generated from/used in financing activities	49,237,968.77	-686,924,380.35	107.17%
Net increase in cash and cash equivalents	343,424,246.02	-141,504,439.96	342.70%

Explanation of why any of the data above varies significantly:

Applicable Not applicable

During the Reporting Period, the net cash generated from/used in financing activities was RMB49,237,968.77 with a 107.17% YoY increase, which primarily was the YoY increase in the cash generated from financing activities of RMB888,004,024.39 with a 27.05% increase, which primarily caused by the YoY increase in the cash generated from borrowings obtained; the net increase in cash and cash equivalents was RMB343,424,246.02 with a 342.70% YoY increase, which primarily due to the YoY increase in the net cash generated from/used in financing activities of RMB736,162,349.12, the increase in the net cash generated from/used in investing activities of RMB98,509,846.64, and the decrease in the net cash generated from/used in operating activities of RMB344,231,087.65.

Reason for any big difference between the net operating cash flow and the net profit for this Reporting Period

Applicable Not applicable

III Analysis of Non-Core Businesses

Applicable Not applicable

Unit: RMB

	Amount	As % of total profit	Source/Reason	Exceptional or recurrent
Investment income	21,783,896.05	1.93%	Investment income from financial assets such as forward foreign exchange settlement and funds and equity investment income	No
Gain/loss on changes in fair value	241,537,682.90	21.42%	Income from changes in fair value of held-for-trading financial assets at the period-end	No
Asset impairments	-91,316,988.81	-8.10%	Withdrawal of inventory falling price provision, fixed assets impairment provision	No
Non-operating income	7,833,728.20	0.69%	Income of non-operating compensation, etc	No
Non-operating expense	11,939,226.65	1.06%	Non-operating donations and compensations, etc.	No

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

First implementation of new standards governing financial instruments, revenue or leases since 2019 and adjustment to the financial statements at the beginning of the first execution year

√ Applicable □ Not applicable

Unit: RMB

	31 December 2019		1 January 2019		Change in percentage (%)	Reason for any significant change
	Amount	As % of total assets	Amount	As % of total assets		
Monetary assets	924,322,008.17	7.78%	545,502,709.36	5.17%	2.61%	
Accounts receivable	515,306,599.62	4.34%	374,607,116.55	3.55%	0.79%	
Inventories	2,421,500,259.30	20.37%	2,093,366,992.30	19.84%	0.53%	
Investment property	45,896,747.87	0.39%	22,880,242.95	0.22%	0.17%	
Long-term equity investments	103,226,300.00	0.87%	95,554,809.90	0.91%	-0.04%	
Fixed assets	6,012,094,104.67	50.58%	5,748,562,385.35	54.47%	-3.89%	
Construction in progress	400,235,070.01	3.37%	337,230,646.42	3.20%	0.17%	
Short-term borrowings	2,120,154,330.61	17.84%	1,325,273,780.05	12.56%	5.28%	
Long-term borrowings	42,364,019.74	0.36%	170,019,083.89	1.61%	-1.25%	

2. Assets and Liabilities at Fair Value

√ Applicable □ Not applicable

Unit: RMB

Item	Beginning amount	Gain/loss on fair-value changes in the Reporting Period	Cumulative fair-value changes charged to equity	Impairment allowance for the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Other change	Ending amount
Financial assets								
1. Held-for-trading	103,630,515.95	236,660,082.90			50,215,000.00	60,000,000.00		330,505,598.85

financial assets (excluding derivative financial assets)								
Subtotal of financial assets	103,630,515.9 5	236,660,082.9 0			50,215,000. 00	60,000,000.00		330,505,598.85
Accounts receivable financing							26,963,818. 87	26,963,818.87
Total of the above	103,630,515.9 5	236,660,082.9 0			50,215,000. 00	60,000,000.00	26,963,818. 87	357,469,417.72
Financial liabilities	4,877,600.00	-4,877,600.00						0.00

Content of other change

Caused by changes in amount of accounts receivable financing

Significant changes to the measurement attributes of the major assets in the Reporting Period:

Yes No

3. Restricted Asset Rights as at the Period-End

For details, see Part XI. VII. 58. Assets with restricted ownership and using right in this Report.

V Investments Made

1. Total Investment Amount

Applicable Not applicable

2. Major Equity Investments Made in the Reporting Period

Applicable Not applicable

3. Major Non-Equity Investments Ongoing in the Reporting Period

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

Operator	Relationship with the Company	Related-party transaction	Type of derivative	Initial investment amount	Starting date	Ending date	Beginning investment amount	Purchased in the Reporting Period	Sold in the Reporting Period	Impairment provision (if any)	Ending investment amount	Proportion of closing investment amount in the Company's ending net assets	Actual gain/loss in the Reporting Period
Commercial bank	Non-related	No	Forward exchange settlement	135,851.35	19 June 2018	24 December 2019	6,512.05	129,339.3	135,851.35		0	0.00%	862.05
Commercial bank	Non-related	No	Foreign exchange option	16,018.76	23 March 2018	30 August 2019	1,909.89	14,108.87	16,018.76		0	0.00%	40.15
Commercial bank	Non-related	No	Forward exchange transactions	7,293.44	28 September 2018	11 November 2019	1,610.11	5,683.33	7,293.44		0	0.00%	26.46
Total				159,163.55	--	--	10,032.05	149,131.5	159,163.55		0	0.00%	928.66
Capital source for derivative investment				The Company's own money									
Lawsuit (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 on risks and control measures of derivative products held in the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)	<p>The Company conducted derivatives products transaction in order for hedging. And the forward settlement hedging was operated by installments, with the relevant amount not more than the planned derivatives products transactions. And all derivatives products transaction was zero-deposit. Meanwhile, the Company had a complete risk control system for sufficient analysis and prevention of possible risks such as 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: 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: 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., the Proposal on the Plan of Lu Thai Textile Co., Ltd. for Derivative</p>

	Transactions approved at the 17 th Meeting of the 8 th Board of Directors on 25 April 2018 and the Proposal on Plan for Derivative Transaction of Lu Thai Textile Co., Ltd. approved at the 26 th Meeting of the 8 th Board of Directors on 29 April 2019, and performed relevant information disclosure responsibilities.
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. As of 31 December 2019, the Company has completed the delivery of all financial derivatives.</p> <p>2. January-December in 2019: the amount of all due financial derivatives of the Company converted into USD is US\$230,596,900 which were executed in accordance with agreements with revenues of RMB9,286,600, among which, gains of RMB8,620,500 was from the delivery of forward foreign exchange settlement of US\$196,613,200; gains of RMB401,500 was from the delivery of foreign exchange options of US\$23.5 million; gains of RMB264,600 was from the delivery of forward exchange transactions of US\$10.4837 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	No significant changes
Specific opinion from independent directors on the Company's derivatives investment and risk control	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.

5. Use of Funds Raised

Applicable Not applicable

No such cases in the Reporting Period

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

VII Major Subsidiaries

Applicable Not applicable

Major fully/majority-owned subsidiaries and those minority-owned subsidiaries with an over 10% effect on the Company's net profit:

Unit: RMB

Name	Relationship with the Company	Principal activity	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Lufeng Weaving & Dyeing Co., Ltd.	Subsidiary	Fabric	706,160,000.00	1,676,416,363.95	1,434,971,463.20	1,743,680,018.67	131,180,206.07	116,519,911.43

Subsidiaries obtained or disposed in the Reporting Period:

Applicable Not applicable

Name	Method	Influence on overall production operation and performance
Lu Thai (Tan Chau) Textile Co., Ltd.	Incorporation	We will further improve the yarn-dyed fabric industry chain of Luthai (Vietnam) Co., Ltd. to achieve the balance of supporting of production capacity and facilities.
Shandong Lulian New Materials Co., Ltd.	Incorporation	To expand the Company's fabric product categories in the large textile field, realize green processing and manufacturing through the use of advanced technology and automation equipment on the basis of the future market judgment of functional fabrics, create healthy and comfortable functional fabrics with traceable process and reliable quality, and meet the growing demand for consumer upgrading.
Shandong Lujia Import & Export Co., Ltd.	Incorporation	Making better use of the Company's existing resources, integrating the existing material supply chain, and reducing procurement costs.

Information about major majority- and minority-owned subsidiaries:

Lufeng Weaving & Dyeing Co., Ltd. (hereinafter called "Lufeng Weaving & Dyeing") is the holding subsidiary corporation of the Company. Registration place: Zibo, Shandong; registered capital: RMB706.160 million. It was authenticated to be high-tech enterprise in October 2014, and authenticated to be high-tech enterprise again for re-evaluation in 2017, mainly manufacturing and selling textile printing and dyeing products and the products of clothing and garments. Its export income accounted for more than 70%. During the Reporting Period, Lufeng Weaving & Dyeing continued to increase investment in R & D and innovation, adhered to the business philosophy of standardized operation, green environmental protection and sustainable development, continuously improved the conversion rate of R & D results, and increased the proportion of new products with high added value. In 2019, operation revenue of Lufeng Weaving & Dyeing was RMB1.743 billion, decreasing for 2.05% comparing with that of the last year. In another aspect, thanks to influence of exchange rate fluctuation, net profit RMB117 million was achieved in 2019, decreasing for 1.97% comparing with that of the last year.

VIII Structured Bodies Controlled by the Company

Applicable Not applicable

IX Prospects

1. Industry competition and development trend

China's textile industry possesses outstanding advantages in the global textile industry, mainly in terms of industrial chain, technology and labor efficiency, etc. Although the cost of production factors and environment requirements are increasing, China's textile industry still has an outstanding advantage in the global competition. At present, the main current fabric for high-end shirts in the world is pure cotton-dyed fabric. In recent years, with the increase of domestic environmental protection requirements and production costs, and the trend of state transformation and upgrading, some low-end and small yarn-dyed production capacities gradually quit the market, and production capacities have been concentrated on scale-type companies, while the demand for yarn-dyed fabrics for shirts is changing to small quantity, variety, diversity, functionality and leisure.

2. Development strategy of the Company

The Company is a large-scale textile enterprise with a complete industrial chain integrating cotton cultivation, spinning, dyeing, weaving, post-treatment and garment manufacturing. It is the world's largest production base for yarn-dyed fabrics for shirts, providing blending of three major series of shirt fabrics of pure cotton and natural fiber, cotton and natural fiber as well as cotton and functional fiber. And the newly developed shirt knitted fabric and elastic fabric are also popular in markets. In order to maintain the outstanding advantages of the Company in global shirt-dyed fabrics, the Company is pushing intelligent manufacturing upgrades and integrating domestic and foreign advantageous resources to deepen internationalization of the Company with regional advantages. The Company combines quality innovation and customer needs, and innovates the marketing model with advantages of resources in each channel. High-end shirt customization services are provided to meet various needs of customers. Furthermore, the Company increases investment in innovation to improve R&D and design and develop new fabrics. The Company holds the concept of low-carbon environmental protection for sustainable development.

3. Business plan (the following description does not constitute any commitment of the Company)

(1) In terms of corporate governance, in order to ensure the healthy, stable and sustainable development of the Company at the institutional level, the Company will establish an internal control system to improve organizational structure, corporate governance structure and risk prevention mechanism.

(2) In terms of market development, the Company will follow the business philosophy of "combining end-customer demand with R&D, design and sales services". Based on the stability of existing markets, the Company will adjust operation models, establish diversified sales platforms and explore new markets to increase domestic market share and balance the development of domestic and foreign markets.

(3) In terms of corporate management, with the goal of "improving quality and increasing efficiency", the Company will fully develop the group system and deeply practice the model of excellence performance. Relying on the Lu Thai Production System (LTPS) and supply chain management, the Company creates a global procurement network to improve the enterprise management system, promote the company reform and upgrade.

(4) In terms of brand building, the Company focuses on quality to integrate corporate philosophy and culture into brand building with innovation. Based on customer demand, the Company innovated the marketing model and integrated online and offline channel resources to push forward the process of brand internationalization.

(5) In terms of industrial overall arrangement, in order to maintain the leading position of the Company in the global yarn-dyed industry, the Company rationally allocates domestic and foreign resources and improves production efficiency while keeping product quality relying on the advantages of U.S. companies, Milan, India and Japan Office in market development, design and R&D, customer service and talent development, and the cost advantages of Southeast Asian production bases.

4. Capital needs, sources and planning

Within the Reporting Period, the 40 million meters yarn-dyed fabric production expansion project of Lu Thai (Vietnam) Co., Ltd. was successfully established and put into operation; the spinning project (phase I) and the air spinning project of Lu Thai Tan Chau, the wholly-owned subsidiary of Lu Thai (Vietnam) Co., Ltd. were established and put into operation and the phase II was under construction. However, all project funds were self-owned and self-raised by the wholly-owned subsidiary. The functional fabric intelligent ecological park project (phase I) of the Company's holding subsidiary Lulian New Materials and the high-end printing and dyeing fabrics production line project of Lufeng Weaving & Dyeing were on the initial construction and preparatory phase. Corresponding equipment installation and trial production will be arranged successively, and the project fund is from the raised and invested fund of the A Share convertible bonds issued by the Company.

5. Risks that bring adverse impact to company development strategy and business objectives and countermeasures of the Company

(1) Economic environment: Currently, the global major economic entities' economic policies (specially the trade policy) have intensified the risk of uncertainty. In addition, the global outbreak of novel coronavirus will exert significant uncertain impact on the Company in the following years. In the meantime, China's economic development is still on a downward trend, and experiencing a period of recovery on the whole. In this respect, the Company will continue strictly taking various prevention and control measures so as to guarantee the work and production resumption, coordinate various resources, enhance its internal strength by seizing the crisis opportunity and obtain greater development opportunity after the epidemic while guaranteeing the stable production and management.

(2) Fluctuations in raw material prices: the raw cotton used by the Company is long-staple cotton, whose price is affected by many factors such as market supply and demand, climate, policies, exchange rates and quotas. Therefore, besides ensuring the stable supply of long-staple cotton by the subsidiary in Xinjiang, the Company must study the market dynamics to reduce the cost fluctuations due to changes in raw cotton price.

(3) Exchange rate changes: along with the operation of overseas production base of the Company and in the future, the Company will continue to sell its products mainly in the international market for a long period of time, and US dollars will account for a relatively larger portion in sales revenue. In addition, the main machinery and equipment and some of its raw materials of the Company are also imported. The foreign currencies payment for imports includes US dollar and other currencies. Therefore, the Company will still be sensitive to the impact of exchange rate changes.

In order to reduce adverse influence of exchange rate fluctuation, the Company adopted the following measures: firstly, the Company appropriately conducted foreign exchange hedging, using forward FX sales and purchase, forward foreign exchange trading and option portfolios to avoid some risks Secondly, the Company made reasonable arrangement on settlement day and currency structure and conclusion of agreements on fixed foreign exchange rate to avoid exchange rate-related risks. Thirdly, the Company adjusted the Renminbi and foreign-currency liabilities structure to control financial costs. Fourthly, according to the fluctuation trend of exchange rates, the Company properly adjusted imports of raw and auxiliary materials to partially offset the influence of exchange rate fluctuations on the Company.

X Communications with the Investment Community such as Researches, Inquiries and Interviews

1. During the Reporting Period

Applicable Not applicable

Date	Way of communication	Type of communication party	Index to main information communicated
29 March 2019	By phone	Institution	About basic information of the Company

30 April 2019	By phone	Institution	About basic information of the Company
31 October 2019	By phone	Institution	About basic information of the Company
Times of communications			3
Number of institutions communicated with			26
Number of individuals communicated with			0
Number of other communication parties			0
Tip-offs or leakages of substantial supposedly-confidential information during communications			No

Part V Significant Events

I Profit Distributions to Ordinary Shareholders (in the Form of Cash and/or Stock)

How the profit distribution policy, especially the cash dividend policy, for ordinary shareholders was formulated, executed or revised in the Reporting Period:

Applicable Not applicable

The profit distributions to ordinary shareholders, either in the form of cash or stock, in the past three years (including the Reporting Period) are summarized as follows:

1. The 13th Meeting of the 9th Board of Directors of the Company reviewed and approved 2019 Profit Distribution Plan

Based on the total capital of 858,121,541 shares as of 31 December 2019, the Company is to distribute a cash dividend of RMB1.00 for every 10 shares (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

The actual distributed dividend for above-mentioned distribution plan was of RMB85,812,154.10, the residual available-for-distribution profit of RMB4,050,889,226.91 was carried forward to next year. Above distribution plan shall be implemented after being approved by the Annual General Meeting of 2018.

2. The 24th Meeting of the 8th Board of Directors of the Company reviewed and approved 2018 Profit Distribution Plan

As of 31 December 2018, the total share capital of the Company was 922,602,311 shares. Since 28 May 2018, the Company has implemented B-share repurchase. As of 22 March 2019, the Company has repurchased 64,480,770 shares which have not been cancelled. The repurchase shares were inventory shares and were not entitled the rights of all shareholders, such as profit distribution. Therefore, the Company's profit distribution plan for 2018: Based on 858,121,541 shares (the total share capital of 922,602,311 shares deducted 64,480,770 shares which have been repurchased but not cancelled on 31 December 2018), the cash allocated per 10 shares is RMB5.00 (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Cash Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

RMB429,060,770.50 should be allocated based on 858,121,541 shares. The above-mentioned allocation scheme has been implemented in June 2019.

3. The 16th Meeting of the 8th Board of Directors of the Company reviewed and approved 2017 Profit Distribution Plan

Based on the total 922,602,311 shares on 31 December 2017, the Company is to distribute a cash dividend of RMB5.0 for every 10 shares (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by

Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).

The Company has implemented B-share buyback scheme from 28 May 2018. As of the date of equity distribution, the total number of B shares repurchased by the Company was 15,913,655 shares. According to the provisions of the *Company Law*, listed companies do not have the right to participate in the distribution of profits by buying back the shares of the Company. Therefore, the allocation base of the Company's profit distribution scheme in 2017 shall be the total share capital less the number of shares repurchased, that is RMB 453,344,328.00 shall be allocated based on 906,688,656 shares as the profit distribution base in 2017. The above distribution scheme has been implemented in June 2018.

Cash dividend for ordinary shareholders in the past three years (including the Reporting Period):

Unit: RMB

Year	Cash dividends (tax inclusive) (A)	Net profit attributable to ordinary shareholders of the listed company in consolidated statements for the year (B)	A as % of B (%)	Cash dividends in other forms (such as share repurchase) (C)	C as % of B (%)	Total cash dividends (including those in other forms) (D)	D as % of B (%)
2019	85,812,154.10	952,386,011.49	9.01%	20,188,374.10	2.12%	106,000,528.20	11.13%
2018	429,060,770.50	811,526,477.83	52.87%	486,922,944.94	59.99%	915,983,715.44	112.87%
2017	453,344,328.00	841,150,934.75	53.90%	0.00	0.00%	453,344,328.00	53.90%

Indicate by tick mark whether the Company fails to put forward a cash dividend proposal for the ordinary shareholders despite the facts that the Company has made profits in the Reporting Period and the profits of the Company as the parent distributable to the ordinary shareholders are positive.

Applicable Not applicable

II Final Dividend Plan for the Reporting Period

Applicable Not applicable

Bonus shares for every 10 shares (share)	0
Dividend for every 10 shares (RMB) (tax inclusive)	1
Additional shares to be converted from capital reserve for every 10 shares (share)	0
Total shares as the basis for the profit distribution proposal (share)	858,121,541
Cash dividends (RMB) (tax inclusive)	85,812,154.10
Cash dividends in other forms (such as share repurchase) (RMB)	20,188,374.10

Total cash dividends (including those in other forms) (RMB)	106,000,528.20
Distributable profit (RMB)	4,136,701,381.01
Total cash dividends (including those in other forms) as % of total profit distribution	11.13%
Cash dividend policy	
Other	
Details about the proposal for profit distribution and converting capital reserve into share capital	
<p>Based on the total capital of 858,121,541 shares as of 31 December 2019, the Company is to distribute a cash dividend of RMB1.00 for every 10 shares (including tax). The individual income tax for A Share shall be subject to related regulations under CS [2015] No. 101 Notice on Certain Question about the Differentiated Individual Income Tax Policy for Share Dividend of Listed Companies jointly issued by Ministry of Finance, SAT, and CSRC; and that for B Share shall be converted to HKD based on the central parity rate on interbank exchange market released by the People's Bank of China on the following day after shareholder's meeting (for foreign shareholders, tax is free pursuant to CSZ (1994) No. 020 regulations; and non-residential corporate shareholders is entitled to a 10% reduction of enterprise income tax according to related regulations under Enterprise Income Tax Law of the People's Republic of China).</p> <p>The actual distributed dividend for above-mentioned distribution plan was of RMB85,812,154.10, the residual available-for-distribution profit of RMB4,050,889,226.91 was carried forward to next year.</p>	

III Fulfillment of Commitments

1. Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirers, as well as the Company Itself and other Entities Fulfilled in the Reporting Period or Ongoing at the Period-end

√ Applicable □ Not applicable

Commitment	Promisor	Type of commitment	Details of commitment	Date of commitment making	Term of commitment	Fulfillment
Commitments made in share reform						
Commitments made in acquisition documents or shareholding alteration documents						
Commitments made in time of asset restructuring						
Commitments made in time of IPO or refinancing	Controlling shareholder, actual controller	Dilution of at sight returns on public offering A-share convertible corporate	1. Not intervene the Company's operation and management beyond the authority and not occupy the Company's interests. 2. From the issuance date of this	23 May 2019	From 23 May 2019 to 8 April 2026	On-going

		bonds	<p>commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, the company / I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC.</p> <p>3. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by the company / me. If the company / I violate(s) such commitment and cause(s) losses to the Company or investors, the company / I will bear the compensation responsibility to the Company or investors in accordance with the law.</p>			
	Directors and senior management of the	Dilution of at sight returns on public	1. Commitment is made not to transfer benefits to other units or individuals free of	23 May 2019	From 23 May 2019 to 8 April 2026	On-going

	Company	<p>offering A-share convertible corporate bonds</p>	<p>charge or under unfair conditions, and no other ways damaging the interests of the Company will be taken. 2. I will strictly abide by the budget management of the Company, and accept the strict supervision and management of the Company to avoid waste or excessive consumption. Any position-related consumption behaviors of myself will occur within the scope necessary for the performance of my duties. 3. Commitment is made not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of duties. 4. Commitment is made that the remuneration system developed by the Board of Directors or the Remuneration Committee is linked to the implementation of the Company's remedial measures for returns. 5. Commitment is made that the conditions for exercising the Equity Incentive Plan to be issued in the future</p>			
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		<p>will be linked to the implementation of the Company's remedial measures for returns.</p> <p>6. From the issuance date of this commitment to the completion of the implementation of the Company's public offering of A-share convertible corporate bonds, if the CSRC makes other new regulatory provisions on remedial measures for returns and the commitment, and the above commitment fails to meet the requirements of the CSRC, I promise to issue supplementary commitment then in accordance with the latest regulations of CSRC.</p> <p>7. Commitment is made to fulfill the Company's relevant remedial measures for returns and any commitment made herein by me. If I violate such commitment and causes losses to the Company or investors, I will bear the compensation responsibility to the Company or investors in accordance with the law.</p>			
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Equity incentive commitments						
Other commitments made to minority interests						
Executed on time or not	Yes					

2. Where there had been an earnings forecast for an asset or project and the Reporting Period was still within the forecast period, explain why the forecast has been reached for the Reporting Period.

Applicable Not applicable

IV 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.

V Explanations Given by the Board of Directors, the Supervisory Board and the Independent Directors (if any) Regarding the Independent Auditor's "Modified Opinion" on the Financial Statements of the Reporting Period

Applicable Not applicable

VI YoY Changes to Accounting Policies, Estimates and Methods

Applicable Not applicable

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (Revised), Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets (Revised), and Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments (Revised) (hereinafter collectively referred to as "new standards governing financial instruments") in 2017. The Company held the 24th Meeting of the 8th Board of Directors on 27 March 2019 and approved the implementation of new standards governing financial instruments since 1 January 2019 and adjusted relevant accounting policies. For details about revised accounting policies, please refer to Part XII Financial Report-V-9. Financial Instruments of the Annual Report.

VII Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable Not applicable

No such cases in the Reporting Period.

VIII YoY Changes to the Scope of the Consolidated Financial Statements

Applicable Not applicable

During the Reporting Period, the Company incorporated three subsidiaries: Shandong Lulian New Materials Co., Ltd., Shandong

Lujia Import & Export Co., Ltd. and Lu Thai Vocational School and one sub-subsidiary Lu Thai (Tan Chau) Textile Co., Ltd., cancelled the sub-subsidiary Zibo Helijie Energy-saving Technology Service Co., Ltd. and merged the sub-subsidiary Zibo Chengshun Heating Co., Ltd.

IX Engagement and Disengagement of Independent Auditor

Current independent auditor:

Name of the domestic independent auditor	Grant Thornton China (Special General Partnership)
The Company's payment to the domestic independent auditor (RMB'0,000)	173.5
How many consecutive years the domestic independent auditor has provided audit service for the Company	1
Names of the certified public accountants from the domestic independent auditor writing signatures on the auditor's report	Wei Qianting, Guo Dongmei
How many consecutive years the certified public accountants have provided audit service for the Company	1

Indicate by tick mark whether the independent auditor was changed for the Reporting Period.

Yes No

Indicate by tick mark whether the independent auditor was changed during the audit period.

Yes No

Indicate by tick mark whether an approval procedure was implemented for the change of independent auditor.

Yes No

Further details about the change of independent auditor:

The 3rd Meeting of the 9th Board of Directors held on 26 August 2019 approved the Proposal on Change of Audit Institution: the Board intended to turn to hire Grant Thornton China (Special General Partnership) as the audit institution for the Company's 2019 annual financial report and internal control affairs which had obtained prior approval independent opinions from independent directors and had been effective after being approved by the 3rd Extraordinary General Meeting of 2019 held on 16 September 2019. For more details, please refer to relevant announcements (No.: 2019-056, No.: 2019-057, No.: 2019-059) disclosed on www.cninfo.com.cn respectively on 27 August 2019 and 17 September 2019.

Independent auditor, financial advisor or sponsor engaged for the audit of internal controls:

Applicable Not applicable

The Company held the Annual General Meeting of 2018 on 23 April 2019 and approved the Proposal on Engagement of the 2019 Financial Audit and Internal Control Auditor and decided to renew the contract with Ruihua Certified Public Accountants (LLP) for 2019 financial audit and internal control affairs and paid RMB1.735 million in total for 2018 financial report audit and the internal control audit. The Company held the 3rd Extraordinary General Meeting of 2019 on 16 September 2019 and approved the Proposal on Change of Auditor and turned to hire Grant Thornton China (Special General Partnership) as the audit institution for the Company's 2019 financial report audit and internal control audit with the term of one year.

X Possibility of Listing Suspension or Termination after Disclosure of this Report

Applicable Not applicable

XI Insolvency and Reorganization

Applicable Not applicable

No such cases in the Reporting Period.

XII Major Legal Matters

Applicable Not applicable

No such cases in the Reporting Period.

XIII Punishments and Rectifications

Applicable Not applicable

No such cases in the Reporting Period.

XIV Credit Quality of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable Not applicable

XV Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

No such cases in the Reporting Period.

XVI Major Related-Party Transactions**1. Continuing Related-Party Transactions**

Applicable Not applicable

No such cases in the Reporting Period.

2. Related-Party Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

No such cases in the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

4. Credits and Liabilities with Related Parties

Applicable Not applicable

Indicate by tick mark whether there were any credits and liabilities with related parties for non-operating purposes.

Yes No

Liabilities payable to related parties

Related party	Relation with the Company	Formation reason	Beginning balance (RMB'0,000)	Amount newly added in current period (RMB'0,000)	Amount returned in current period (RMB'0,000)	Interest rate	Current interest (RMB'0,000)	Ending balance (RMB'0,000)
Zibo Lucheng Textile Investment Co., Ltd	The Company as the parent	Currencies deposit	12,152	10,000	22,152	4.35%	513.58	0
Zibo Lujia Property Management Co., Ltd	Wholly-owned subsidiary of Lucheng Textile	Currencies deposit	60		60	4.35%	2.57	0
Zibo Shidanlu Cosmetics Co., Ltd	Joint-stock Company of Lucheng Textile	Currencies deposit	145		145	4.35%	2.69	0
Zibo Taimei Ties Co., Ltd	Controlling subsidiary of Lucheng Textile	Currencies deposit	130		130	4.35%	2.42	0
Influences from liabilities of parties related on operating results and financial situations of the Company	No significant influence							

5. Other Major Related-Party Transactions

Applicable Not applicable

No such cases in the Reporting Period.

XVII Major Contracts and Execution thereof

1. Entrustment, Contracting and Leases

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leases

Applicable Not applicable

No such cases in the Reporting Period.

2. Major guarantees

Applicable Not applicable

(1) Guarantees

Unit: RMB'0,000

Guarantees provided by the Company as the parent for its subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	11,161.92	20 January 2017	760.48	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	25 January 2017	19,184.55	20 January 2017	8,407.31	Joint-liability	Five years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	27 October 2017	29,300.04	25 October 2017	7,587.73	Joint-liability	Five years since the approval of the board of the	No	Yes

						Company		
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	7,673.82	20 August 2018	7,328.20	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	4,185.72	27 March 2019	0	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	22 August 2018	2,790.48	20 August 2018	2,671.80	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	10,464.3	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	31,392.9	27 March 2019	19,882.17	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	29 March 2019	5,511.2	27 March 2019	0	Joint-liability	Two years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd./ Lu Thai (Tan Chau) Textile Co., Ltd.	28 September 2019	6,976.2	27 September 2019	0		Three years since the approval of the board of the Company	No	Yes
Lu Thai (Tan Chau) Textile Co., Ltd.	28 September 2019	6,976.2	27 September 2019	6,976.2		Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	28 September 2019	11,859.54	27 September 2019	8,371.44		Three years since the approval of the board of the Company	No	Yes
Lu Thai (Vietnam) Textile Co., Ltd.	28 September 2019	3,139.29	27 September 2019	0		Three years since the approval of the board of the Company	No	Yes

Xinjiang Luthai Fengshou Cotton Industry Co., Ltd.	14 October 2017	15,000	12 October 2017	0	Joint-liability	Three years since the approval of the board of the Company	No	Yes
Total approved line for such guarantees in the Reporting Period (B1)		80,505.35		Total actual amount of such guarantees in the Reporting Period (B2)		55,072.62		
Total approved line for such guarantees at the end of the Reporting Period (B3)		165,616.16		Total actual balance of such guarantees at the end of the Reporting Period (B4)		61,985.33		
Guarantees provided between subsidiaries								
Obligor	Disclosure date of the guarantee line announcement	Line of guarantee	Actual occurrence date	Actual guarantee amount	Type of guarantee	Term of guarantee	Having expired or not	Guarantee for a related party or not
Xinjiang Lu Thai Textile Co., Ltd.	3 August 2019	20,000	3 August 2019	20,000	Joint-liability	12 months	No	Yes
Total approved line for such guarantees in the Reporting Period (C1)		20,000		Total actual amount of such guarantees in the Reporting Period (C2)		19,900		
Total approved line for such guarantees at the end of the Reporting Period (C3)		20,000		Total actual balance of such guarantees at the end of the Reporting Period (C4)		19,900		
Total guarantee amount (total of the three kinds of guarantees above)								
Total guarantee line approved in the Reporting Period (A1+B1+C1)		100,505.35		Total actual guarantee amount in the Reporting Period (A2+B2+C2)		74,972.62		
Total approved guarantee line at the end of the Reporting Period (A3+B3+C3)		185,616.16		Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)		81,885.33		
Total actual guarantee amount (A4+B4+C4) as % of the Company's net assets				10.64%				
Of which:								
Balance of guarantees provided for shareholders, actual controller and their related parties (D)				0				
Balance of debt guarantees provided directly or indirectly for				0				

obligors with an over 70% debt/asset ratio (E)	
Amount by which the total guarantee amount exceeds 50% of the Company's net assets (F)	0
Total of the three amounts above (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 October 2017 between Lu Thai Company and Xinjiang Lu Thai Company, Xinjiang Lu Thai Company, the warrantee Xinjiang Lu Thai Company provided the corresponding amount of counter guarantee for Lu Thai Company.
Explanation about external guarantee violating established procedure (if any)	N/A

Compound guarantees:

(2) Irregularities in Provision of Guarantees

Applicable Not applicable

No such cases in the Reporting Period.

3. Cash Entrusted to Other Entities for Management

(1) Cash Entrusted for Wealth Management

Applicable Not applicable

Overviews of entrusted cash management during the Reporting Period

RMB'0,000

Specific type	Capital resources	Amount incurred	Undue Balance	Overdue amount
Trusted financial products	Self-owned funds	5,000	5,000	0
Others	Self-owned funds	6,000	0	0
Total		11,000	5,000	0

Particulars of entrusted cash management with single significant amount or low security, bad liquidity, and no capital preservation

Applicable Not applicable

RMB'0,000

Name of the trustee	Type of the trustee	Type of the product	Amount	Resource of funds	Initial date	Ended Date	Use of fund	Method of payment determination	Annual yield for reference	Estimate profit (if any)	Amount of actual profits or losses in	Actual recovery of profits or losses in	Amount withdrawn or impairment provision	Whether through stator procedures	Whether there is wealth management	Overview of the item and the relate
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										Report ing Period	Report ing Period	ion (if any)		entrust ment plan in future or not	d index for inquiri ng (if any)
Shang hai Gophe r Asset Manag ement Co., Ltd	Fund compa ny	Consta nt return	3,000	Self-o wned funds	18 Dece mber 2017	18 Januar y 2019	Accou nt receiv ables bonds of Guang dong Cheng xing and Jingdo ng	Repay capital with interes ts when expire d	7.60%	228	240.21	No	Yes	Not yet	
Shang hai Gophe r Asset Manag ement Co., Ltd	Fund compa ny	Consta nt return	3,000	Self-o wned funds	22 Dece mber 2017	22 Dece mber 2019	Granti ng trust loans to Jiexin Financ e	Repay capital when expire d with annual interes ts payme nt	8.50%	255	247.37	No	Yes	Not yet	
AVIC Trust Co., Ltd	Trust compa ny	Consta nt return	5,000	Self-o wned funds	7 March 2019	9 March 2020	No fixed directi on	Repay capital when expire d with annual interes ts payme nt	8.00%	400		No	Yes	Not yet	
Total			11,000	--	--	--	--	--	--	883	487.58	--	--	--	--

Whether there is the case where the principal cannot be recovered at maturity or other case which may cause impairment for entrusted asset management

Applicable Not applicable

(2) Entrusted Loans

Applicable Not applicable

No such cases in the Reporting Period.

4. Other Major Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XVIII Corporate Social Responsibility (CSR)**1. Measures Taken to Fulfill CSR Commitment**

The Company has prepared social responsibilities report for 2019, for details, see Social Responsibilities Report disclosed simultaneously with Annual Report 2019 of the Company.

2. Measures Taken for Targeted Poverty Alleviation**(1) Plans**

The Company assumes social responsibilities by carrying out education support and poverty alleviation. The Company helps needy students to continue their studies and impoverished peasants to maintain their basic livelihood.

(2) Summary of the Related Work Done in the Reporting Period

The Company assumes social responsibilities by carrying out education support and poverty alleviation. The Company helps needy students to continue their studies and impoverished peasants to maintain their basic livelihood.

(3) Results

Indicator	Measurement unit	Quantity/Progress
1. General results	—	—
Of which: 1.1 Funds	Ten thousand	33.07
2. Itemized results	—	—
2.4 Out of poverty by education	—	—
Of which: 2.4.1 Amount for funding poor students	Ten thousand	17
2.4.2 Number of poor students funded	Person	56
2.8 Social poverty alleviation	—	—
Of which: 2.8.1 Amount of input through	Ten thousand	11.07

East-West Poor Alleviation Cooperation		
2.9 Other items	—	—
Of which: 2.9.1 Number of items	Piece	1
2.9.2 Amount of input	Ten thousand	5
3. Accolades received (for what and at what level)	—	—

(4) Subsequent Plans

None

3. Issues Related to Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is identified as a major polluter by the environmental protection authorities.

Yes

Name of polluter	Name of major pollutants	Way of discharge	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Discharge standards implemented	Total discharge	Approved total discharge	Excessive discharge
Lu Thai Textile Co., Ltd	COD and ammonia nitrogen	Continuous discharge	2	Huangjiapu Industrial Park; East Zone Industrial Park	COD \leq 140mg/L; ammonia nitrogen \leq 10mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012 COD: 200mg/L Ammonia nitrogen:20mg/L	COD is 572.13t and ammonia nitrogen is 23.51t	COD is 1495.08 t, and ammonia nitrogen is 149.51t	No
Lufeng Weaving & Dyeing Co., Ltd.	COD and ammonia nitrogen	Continuous discharge	1	Lufeng chief discharge outlet	COD \leq 140mg/L; ammonia nitrogen \leq 4mg/L	Emission standard of water pollutants in textile dyeing and finishing industry: GB 4287-2012 COD: 200mg/L Ammonia nitrogen:20mg/L	COD is 296.27t and ammonia nitrogen is 6.73t	COD is 575.985 t, and ammonia nitrogen is 57.6t	No
Zibo Xinsheng	SO ₂ , NQ _x , and smoke	Continuous discharge	4	Production plant of	SO ₂ : \leq 35mg/m ³	Ultra-low emission No. 2	SO ₂ is 38.3t, NQ _x is 165.62	SO ₂ is 354.18 t/a,	No

Thermal Power Co., Ltd.				Xinsheng Thermal Power	NQx: $\leq 100(50)$ mg/m ³ and smoke: $\leq 10(5)$ mg/m ³	modification list LZJBF (2016) No 46 of Emission standard of air pollutants of Thermal Power Plant in Shandong Province	t and smoke is 6.452t.	NQx is 1011.95 t/a and smoke is 101.2 t/a.	
Lu Thai (Vietnam) Textile Co., Ltd.	Sewage	Discharge into the ecological pond in the park district after treatment	1	Beside sewage plant	COD ≤ 50 mg/L; ammonia nitrogen ≤ 2.0 mg/L	QCVN40: 2011/BTNMT	Sewage discharge is 1235700t	/	No
Lu Thai (Vietnam) Textile Co., Ltd.	Exhaust gas	Direct discharge after treatment	4	Beside boiler room	/	QCVN19: 2009/BTNMT	Gas emission is 226 million m ³	/	No

Construction of pollution prevention equipment and operation condition

Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. strictly implement the "Three Simultaneous" management system for environmental protection in project constructions. The companies are equipped with complete facilities for waste gas and waste water treatment. In 2019, Lu Thai Textile Co., Ltd. and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. carried out the waste water treatment system transformation project to improve the treated water quality by systematic and comprehensive reform, further improving the river water quality and local ecological environment. The newly added online monitoring devices for PH in 2019 monitor and detect the pollutants discharge index comprehensively. In 2019, the Company makes great efforts to transform exhaust emission so as to reduce the discharge of atmospheric pollutants, including the comprehensive treatment of VOCs discharged and low-nitrogen combustion of NOx discharged from boilers. Support teams were set up to be responsible for daily operation maintenance and inspection to guarantee the normal operation of facilities. Both the exhaust emission and waste water discharge meet the emission standards.

The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. enforces the "Three Simultaneous" management system for environmental protection in extension project construction in accordance with the government requirements, and adopts the "limestone-gypsum method" to reduce emission concentration of sulfur dioxide, the "Low-nitrogen combustion + SNCR" and "SNCR+SCR method" to reduce emission concentration of nitrogen oxides, and the "electric-bag electrostatic precipitator + wet electrostatic precipitator" to reduce soot emission concentration. The overall system works well.

The waste water treatment project of the wholly-owned subsidiary Lu Thai (Vietnam) Textile Co., Ltd. is designed to treat 6,500 tons of sewage water daily, among which, sewage plan I is designed to treat 3,000 tons of sewage water daily, and the sewage plant II is designed to treat 3,500 tons of sewage water daily. The Company adopts a comprehensive treatment process of "pre-materialization + A2O biochemistry + post-materialization + ozone oxidation+ active sand filtration " for waste water treatment, and the treated water quality is better than the QCVN 40:2011/BTNMT A-level emission standards stipulated by the Vietnam government. The treated waste water is all discharged to the ecological pond in the park. Treated water quality analysis for 2019: The COD (mean value) was 47.6 mg/L, the chrominance (mean value) was 30, the ammonia nitrogen (mean value) was 1.60 mg/L, and the total phosphorus

(mean value) was 0.19 mg/L. All the parameters met the A-level emission standards set in the "Regulations on Parameters of Industrial Drainage in Vietnam" (QCVN40:2011/BTNMT). Waste water discharge in the whole year met the standards without violation. The total amount of waste water discharged in 2019 was 1,235,700 tons, among which, the chemical oxygen demand (COD) was 58.5 tons, ammonia nitrogen (NH₃-N) was 2.06 tons and total phosphorus (TP) was 240kg. The Company is equipped with multi-pipe and water film dust-separation devices to process the exhaust gas discharged from boilers of the Company. In 2019, all the equipment was in normal operation, and the exhaust gas inspection parameters were lower than the QCVN19:2009/BTNMT emission standards set by Vietnam government. In 2019, the total amount of sulfur dioxide emissions was 62.35 tons, and the total amount of nitrogen oxides emissions was 67.48 tons.

Project Environmental Impact Assessment and Other Administrative Permission for Environmental Protection

In 2019, the main project of "Lutai Textile Co., Ltd. High-Concentration PVA Wastewater Treatment and Sewage Comprehensive Upgrading Project (1)" project has been completed and entered the commissioning stage; "Lutai Textile Co., Ltd. High-grade Grey Fabric Production Line Technical Transformation Project" has been completed. Complete the acceptance. The controlling subsidiary Lufeng Weaving and Dyeing Co., Ltd. has completed the acceptance of the "High-end Printing Fabric Production Line Technical Transformation Project", and the "high-grade grey fabric production line technical transformation project" has completed the acceptance; "Lufeng Weaving and Dyeing Co., Ltd. dyeing wastewater liquid membrane separation and sewage station synthesis The "Upgrading and Upgrading Project" project has entered the commissioning stage; the "Lufeng Weaving and Dyeing Co., Ltd. High-end Printing and Dyeing Fabric Production Line Project" has been approved and is under construction. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. obtained the "Response of the Environmental Impact Report of the Shandong Provincial Department of Environmental Protection on the Extension Project of Zibo Xinsheng Thermal Power Co., Ltd." (Luhuanjian [2015] No. 241), expansion project II The period is under construction. The wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. Spinning Phase I and Dyeing Park Phase I environmental protection projects have been completed and accepted for confirmation. The spinning phase II and yarn dyeing park Phase II environmental assessment reports have been approved.

Emergency plan for environmental incidents

Lu Thai Textile Co., Ltd., and its majority-owned subsidiary Lufeng Weaving & Dyeing Co., Ltd. prepared the Emergency Plan for Environmental Incidents, which was filed with Zibo Environmental Protection Bureau Xichuan Branch. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has formulated the "Emergency Plan for Environmental Incidents" and filed it with the environmental protection management department. The identification and risk assessment of environmental risk sources, prevention and early warning mechanisms, emergency protection and supervision and management were included in the plan. The wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. has prepared emergency plans for different environmental incidents to reduce their impacts.

Environmental self-monitoring program

According to the requirements of the environmental authorities, Lutai Textile Co., Ltd. and its holding subsidiary Lufeng Weaving and Dyeing Co., Ltd. all follow the requirements of the superior environmental protection department to formulate an environmental self-testing plan for the following year in December each year. The company invites qualified According to the self-monitoring plan, the testing agency will test the waste water and waste gas, disclose the monitoring data to the Shandong Province Pollution Source Self-Monitoring and Sharing System on time, and submit the test report to the environmental protection department. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has implemented online real-time monitoring of environmental data in accordance with the requirements of the superior environmental protection department, and has achieved emission standards. The wholly-owned subsidiary Zibo Xinsheng Thermal Power Co., Ltd. has implemented online real-time monitoring of environmental data in accordance with the requirements of the superior environmental protection department, and has achieved emission standards. The wholly-owned subsidiary Lu Thai (Vietnam) Co., Ltd. installs automatic sewage sampling and water quality automatic online monitoring devices, real-time automatic sampling and online monitoring of sewage effluent water quality; the company invites external qualified testing institutions to conduct sewage, sludge and exhaust gas quarterly Test and submit the test report to the environmental supervision department.

Other environment information that should be disclosed

No

Other related environment protection information

No

XIX Other Significant Events

√ Applicable □ Not applicable

I. B share repurchase

On 16 May 2018, the company announced the "Lutai Textile Co., Ltd. Repurchasing Part B Shares Report". For details, please refer to the related information on www.cninfo.com.cn on 17 May 2018 Announcement (No.: 2019-013). On 28 May 2018, the Company implemented the repurchase program for the first time. For details, please refer to the relevant announcement (No.: 2018-026) of the www.cninfo.com.cn on 29 May 2018. As of 22 March 2019, when the repurchase period expires, the Company has repurchased 64,480,770 shares of B shares. On 4 April 2019, the Company has completed the cancellation of share repurchase in Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. For details, please refer to the relevant information on www.cninfo.com.cn on 9 April 2019 Announcement (No.: 2019-023).

II. Matters Concerning the Issue of A Share Convertible Bonds

The Company reviewed and approved various proposals including the *Proposal of the Company's Plan for the Public Issue of A Share Convertible Bonds* during the 28th Meeting of the 8th Board of Directors and the 3rd Extraordinary Shareholders Meeting in 2019. Please refer to relevant announcements (No.: 2019-039, 2019-041, 2019-042, 2019-043, 2019-044, 2019-045 and 2019-059) respectively issued on 24 May 2019 and 17 September 2019 via www.cninfo.com.cn for details.

The Company received the *CSRC Administrative License Application Acceptance Notice* on 15 October 2019 and the *Notice on First Feedback of CSRC Administrative License Project Review* on 19 November 2019. Please refer to relevant announcements (No.: 2019-064 and 2019-068) respectively issued on 16 October 2019 and 20 November 2019 via www.cninfo.com.cn for details.

On 27 November 2019, the Company held the 7th Meeting of the 9th Board of Directors, and reviewed and approved five proposals including the *Proposal of Adjusting the Fund-raising Scale of A Share Convertible Bonds to Be Publicly Issued by the Company*. Please refer to relevant announcements (No.: 2019-074, 2019-075, 2019-076, 2019-077 and 2019-078) issued on 28 November 2019 via www.cninfo.com.cn for details.

On 29 November 2019, the Company disclosed the *Reply on the First Feedback of A Share Convertible Bonds Public Issue Application Documents of Lu Thai Textile* (Announcement No.: 2019-079); on 2 January 2020, the Company received the *Notice on Making Preparations for the Lu Thai Textiles' Convertible Bonds Public Issue IEC Meeting* and replied. Please refer to relevant announcement (No.: 2020-001) and the *Reply on the Notice on Making Preparations for the Lu Thai Textiles' Convertible Bonds Public Issue IEC Meeting* issued on 3 January 2020 via www.cninfo.com.cn for details.

On 9 January 2020, the Company's application for the public issue of A Share convertible bonds was approved by the Issuance Examination Committee (IEC) of CSRC. On 6 March 2020, the Company received the *Reply on Approving the Public Issue of Convertible Bonds by Lu Thai Textile Co., Ltd.* (ZJXK [2020] No. 299) issued by CSRC. Please refer to relevant announcements (No.: 2020-002 and 2020-010) respectively issued on 10 January 2020 and 7 March 2020 via www.cninfo.com.cn for details.

On 3 April 2020, the Company held the 10th Meeting of the 9th Board of Directors. In the meeting, the Company reviewed and approved the *Proposal of Further Establishing the Concrete Scheme for the Company's Public Issue of A Share Convertible Bonds*, the *Proposal of the Listing of the Company's Public Issue of A Share Convertible Bonds* and the *Proposal of Opening A Special Account for the Funds Raised for the Company's Public Issue of A Share Convertible Bonds and Signing the Raised Fund Supervision Agreement*, and disclosed the Prospectus and Summary for the Public Issue of A Share Convertible Bonds via www.cninfo.com.cn. Please refer to relevant announcements and documents (No.: 2020-011, 2020-013 and 2020-014) for details.

The Company issued the *Prompt Notice on the Public Issue of A Share Convertible Bonds, Announcement on the DTOR for the*

Public Issue of A Share Convertible Bonds and the Placement Priority Result, Announcement on the Online Lot-winning Result of the Public Issue of A Share Convertible Bonds and Announcement on the Result of the Public Issue of A Share Convertible Bonds respectively on 9 April, 10 April, 13 April and 15 April in 2020. Please refer to relevant announcements (No.: 2020-017, 2020-018, 2020-020 and 2020-022) issued via www.cninfo.com.cn for details.

III. Change the Accounting Firm in Charge of the Annual Audit

On 26 August 2019, the Company reviewed and approved *the Proposal of Changing the Audit Agency* during the 3rd Meeting of the 9th Board of Directors: the Company's Board of Directors proposed to employ Grant Thornton (special general partnership) as the Company's financial statements and internal control audit agency in 2019. The Company's independent director issued the prior approval opinion and independent advice on *the Proposal of Changing the Audit Agency*. Please refer to relevant announcements (No.: 2019-056 and 2019-057) issued on 27 August 2019 via www.cninfo.com.cn for details. The above-mentioned proposal was reviewed and approved during the 3rd Extraordinary Shareholders Meeting of 2019 held on 16 September 2019. Please refer to relevant announcement (No.: 2019-059) issued on 17 September 2019 via www.cninfo.com.cn for details.

XX Significant Events of Subsidiaries

Applicable Not applicable

Part VI Share Changes and Shareholder Information

I. Share Changes

1. Share Changes

Unit: share

	Before		Increase/decrease in the Reporting Period (+/-)					After	
	Shares	Percentage (%)	New issues	Shares as dividend converted from profit	Shares as dividend converted from capital reserves	Other	Subtotal	Shares	Percentage (%)
I. Restricted shares	119,295,819	12.93%				-256,882	-256,882	119,038,937	13.87%
1. Shares held by State							0		
2. Shares held by state-owned legal person							0		
3. Shares held by other domestic investors	1,063,419	0.12%				-256,882	-256,882	806,537	0.09%
Among which: Shares held by domestic legal person							0		
Shares held by domestic natural person	1,063,419	0.12%				-256,882	-256,882	806,537	0.09%
4. Shares held by other foreign investors	118,232,400	12.82%					0	118,232,400	13.78%
Among which: Shares held by foreign corporations	118,232,400	12.82%					0	118,232,400	13.78%
Shares held by foreign natural person							0		
II. Unrestricted shares	803,306,492	87.07%				-64,223,888	-64,223,888	739,082,604	86.13%
1. RMB ordinary shares	561,105,431	60.82%				158,857	158,857	561,264,288	65.41%
2. Domestically listed foreign shares	242,201,061	26.25%				-64,382,745	-64,382,745	177,818,316	20.72%

3. Overseas listed foreign shares							0		
4. Other							0		
III. Total shares	922,602,311	100.00%				-64,480,770	-64,480,770	858,121,541	100.00%

Reasons for share changes:

Applicable Not applicable

The cancellation of B share repurchase and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited locked and adjusted the shareholding of the Senior Executives

Approval of share changes:

Applicable Not applicable

Transfer of share ownership:

Applicable Not applicable

Progress on any share repurchases:

Applicable Not applicable

The Company held its 2nd Extraordinary General Meeting of 2018 on 23 March 2018 and passed Bill to Buy Back Some of the B-shares of the Company. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 24 March 2018 (No.: 2018-013); The Company disclosed Report on the Buyback of Some B-shares of the Company on 16 May 2018 and issued Announcement of Lu Thai Textile Co., Ltd. about the Implementation of Buy-back of Shares on 29 May 2018 that the first buyback shares were disclosed for the first time. The above contents refer to relevant announcements on www.cninfo.com.cn.

As of 22 March 2019 when the repurchase period expired the Company repurchased 64,480,770 B shares. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 23 March 2019 (No.: 2019-013). On 4 April 2019, the Company has completed the cancellation of share repurchase in Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. For details, please refer to the relevant announcements on www.cninfo.com.cn published on 9 April 2019 (No.: 2019-023).

Progress on reducing the repurchased shares by means of centralized bidding:

Applicable Not applicable

Effects of share changes on the basic and diluted earnings per share, equity per share attributable to the Company's ordinary shareholders and other financial indicators of the prior year and the prior accounting period, respectively:

Applicable Not applicable

Other information that the Company considers necessary or is required by the securities regulator to be disclosed:

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Unit: share

Name of shareholder	Beginning restricted shares	Increased in Reporting Period	Unlocked in Reporting Period	Ending restricted shares	Reason for restriction	Date of unlocking
Li	132,123		132,123	0	Locked the shareholding of	6 months after the departure of senior

Tongmin						the Senior Executives	executive
Pan Pingli	103,947		103,947	0		Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Quan Peng	20,812		20,812	0		Locked the shareholding of the Senior Executives	6 months after the departure of senior executive
Total	256,882	0	256,882	0	--	--	--

II. Issuance and Listing of Securities

1. Securities (Exclusive of Preferred Shares) Issued in the Reporting Period

Applicable Not applicable

2. Changes to Total Shares, Shareholder Structure and Asset and Liability Structures

Applicable Not applicable

3. Existing Staff-Held Shares

Applicable Not applicable

III Shareholders and Actual Controller

1. Shareholders and Their Shareholdings at the Period-End

Unit: share

Number of ordinary shareholders	56,457	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	56,319	Number of preferred shareholders with resumed voting rights (if any) (see note 8)	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report (if any) (see note 8)	0	
5% or greater shareholders or top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Increase/decrease in the Reporting Period	Restricted shares held	Unrestricted shares held	Shares in pledge or frozen	
							Status	Shares
Zibo Lucheng Textile Investment Co.,	Domestic	16.36	140,353,583	0.00	0	140,353,583		

Ltd.	non-state-owned legal person	%							
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.78%	118,232,400	0.00	118,232,400	0			
Hong Kong Securities Clearing Co. Ltd	Foreign legal person	2.99%	25,700,649	-8314899.00	0	25,700,649			
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.37%	20,315,300	0.00	0	20,315,300			
T.Rowe Price Intl Discovery Fund	Foreign legal person	2.32%	19,948,219	0.00	0	19,948,219			
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	2.13%	18,313,391	0.00	0	18,313,391			
Hong Kong Monetary Authority-self-owned funds	Foreign legal person	1.64%	14,041,884	2406491.00	0	14,041,884			
National Social Security Fund Portfolio 103	Other	1.40%	11,999,897	-50.00	0	11,999,897			
National Social Security Fund Portfolio 413	Other	0.97%	8,310,051	8310051.00	0	8,310,051			
Generali China Life Insurance Co., Ltd.-Dividend Product 2	Other	0.78%	6,664,959	2960813.00	0	6,664,959			
Strategic investor or general legal person becoming a top-10 ordinary shareholder due to rights issue (if any) (see note 3)	Naught								
Related or acting-in-concert parties among the shareholders above	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 public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.								
Top 10 unrestricted shareholders									

Name of shareholder	Unrestricted shares held at the period-end	Shares by type	
		Type	Shares
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB ordinary share	140,353,583
Hong Kong Securities Clearing Co. Ltd	25,700,649	RMB ordinary share	25,700,649
Central Huijin Assets Management Co., Ltd.	20,315,300	RMB ordinary share	20,315,300
T.Rowe Price Intl Discovery Fund	19,948,219	Domestically listed foreign share	19,948,219
China Securities Finance Corporation Limited	18,313,391	RMB ordinary share	18,313,391
Hong Kong Monetary Authority-self-owned funds	14,041,884	RMB ordinary share	14,041,884
National Social Security Fund Portfolio 103	11,999,897	RMB ordinary share	11,999,897
National Social Security Fund Portfolio 413	8,310,051	RMB ordinary share	8,310,051
Generali China Life Insurance Co., Ltd.-Dividend Product 2	6,664,959	RMB ordinary share	6,664,959
RBC EMERGING MARKETS SMALL CAP EQUITY FUND	6,181,462	Domestically listed foreign share	6,181,462
Related or acting-in-concert parties among top 10 unrestricted public shareholders, as well as between top 10 unrestricted public shareholders and top 10 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 public A share or public B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.		
Top 10 ordinary shareholders involved in securities margin trading (if any) (see note 4)	N/A		

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. Controlling Shareholder

Nature of the controlling shareholder: Controlled by a natural person

Type of the controlling shareholder: legal person

Name of controlling shareholder	Legal representative/person in charge	Date of establishment	Unified social credit code	Principal activity
Zibo Lucheng Textile Investment Co., Ltd.	Liu Deming	25 September 1998	91370303164200391J	Investment on textile, electricity and chemical; purchase, process and sale of cotton; retail service

				etc.
Particulars about shareholding of controlling shareholders controlling and holding shares of other listed companies during the Reporting Period	N/A			

Change of the controlling shareholder in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

3. Actual Controller and Its Acting-in-Concert Parties

Nature of the actual controller: Domestic natural person

Type of the actual controller: natural person

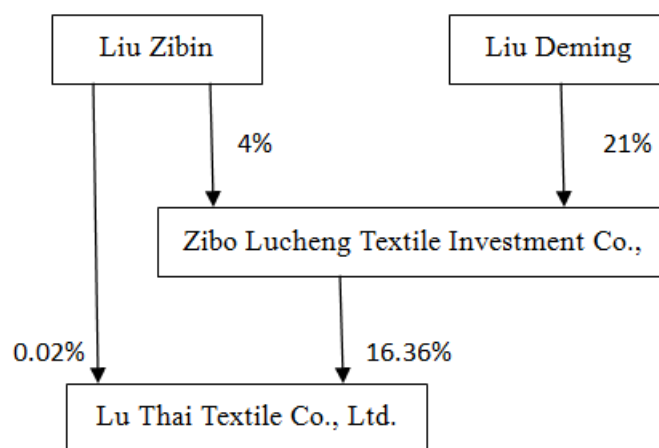
Name of the actual controller	Relations with the actual controller	Nationality	Whether gain the right of residence in other countries or regions or not
Liu Zibin	In person	China	No
Liu Deming	Concerted action (including agreement, relatives, and same control)	China	No
Professions and titles	Liu Zibin is the Chairman of the Board and GM of Lu Thai Textile Co., Ltd. , Liu Deming is the Chairman of the Board and GM of Zibo Lucheng Textile Investment Co., Ltd.		
Particulars about listed companies with shares ever held by the actual controller over the past 10 years	N/A		

Change of the actual controller during the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Ownership and control relations between the actual controller and the Company:



Indicate by tick mark whether the actual controller controls the Company via trust or other ways of asset management.

Applicable Not applicable

4. Other 10% or Greater Corporate Shareholders

Applicable Not applicable

5. Limitations on Shareholding Decrease by the Company's Controlling Shareholder, Actual Controller, Reorganizer and Other Commitment Makers

Applicable Not applicable

Part VII Preferred Shares

Applicable Not applicable

No preferred shares in the Reporting Period.

Part VIII Convertible Corporate Bonds

Applicable Not applicable

No convertible corporate bonds in the Reporting Period.

Part IX Directors, Supervisors, Senior Management and Staff

I Change in Shareholdings of Directors, Supervisors and Senior Management

Name	Office title	Incumbent/Former	Gender	Age	Start of tenure	End of tenure	Beginning shareholding (share)	Increase in the Reporting Period (share)	Decrease in the Reporting Period (share)	Other increase/decrease (share)	Ending shareholding (share)
Liu Zibin	Chairman and President	Incumbent	Male	55	6 June 2007	10 June 2022	148,290				148,290
Xu Zhinan	Vice Chairman	Incumbent	Male	90	6 May 2004	10 June 2022					
Fujiwara Hidetoshi	Director	Incumbent	Male	80	7 May 1998	10 June 2022					
Chen Ruimou	Director	Incumbent	Male	76	16 April 2000	10 June 2022					
Zeng Facheng	Director	Incumbent	Male	69	6 June 2007	10 June 2022					
Wang Fangshui	Director, vice president, Chief Engineer	Incumbent	Male	59	7 May 1998	10 June 2022	146,753				146,753
Liu Deming	Director, controller of Global Marketing Department	Incumbent	Male	29	12 May 2017	10 June 2022					
Qin Guiling	Director	Incumbent	Female	54	7 May 1998	10 June 2022	126,542				126,542
Zhang Hongmei	Director and Chief Accountant	Incumbent	Female	50	6 June 2016	10 June 2022	92,500				92,500
Xu Jianjun	Independent Director	Former	Male	46	6 June 2013	10 March 2019					
Zhou Zhiji	Independent Director	Incumbent	Male	56	10 March 2019	10 June 2022					
Zhao Yao	Independent Director	Former	Male	50	19 September 2014	10 June 2019					

Bi Xiuli	Independent Director	Incumbent	Female	53	6 June 2016	10 June 2022					
Pan Ailing	Independent Director	Incumbent	Female	55	6 June 2016	10 June 2022					
Wang Xinyu	Independent Director	Incumbent	Male	53	6 June 2016	10 June 2022					
Qu Dongmei	Independent Director	Incumbent	Female	51	10 June 2019	10 June 2022					
Zhang Shougang	Chairman of the Supervisory Committee, Controller of Human Resources Department	Incumbent	Male	50	8 February 2018	10 June 2022	73,100				73,100
Liu Zilong	Supervisor	Incumbent	Male	52	6 June 2007	10 June 2022	10,000				10,000
Dong Shibing	Supervisor, Manager of Logistics Management Department	Incumbent	Male	51	6 June 2007	10 June 2022	5,000				5,000
Zhang Jianxiang	Vice president, controller of Functional Fabric Manufacturing Center	Incumbent	Male	52	6 June 2007	10 June 2022	52,150				52,150
Wang Jiabin	Vice president, Security Controller, controller of Yarn-dyed Fabric Manufacturing Center	Incumbent	Male	57	6 June 2007	10 June 2022	83,700				83,700
Zhang Zhanqi	Vice president, controller of Dyeing and Finishing Fabric Manufacturing Center	Incumbent	Male	48	6 June 2007	10 June 2022	80,300				80,300

Zhang Keming	Board Secretary, controller of Financial Management Department	Incumbent	Male	52	6 June 2007	10 June 2022	77,700				77,700
Li Wenji	CIO	Incumbent	Male	53	8 June 2016	10 June 2022	10,000				10,000
Zhang Wei	Controller of Strategy and Market Department	Incumbent	Male	34	18 January 2018	10 June 2022					
Wang Changzhao	Vice controller of Global Marketing Department	Incumbent	Male	46	6 June 2013	10 June 2022	22,500				22,500
Fujiwara Matsuzaka	GM of Japan Office	Incumbent	Male	47	9 December 2014	10 June 2022					
Yu Shouzheng	Controller of Energy and Environment Protection Department	Incumbent	Male	52	6 June 2007	10 June 2022	83,100				83,100
Shang Chenggan	Controller of Garment Manufacturing Center	Incumbent	Male	47	6 June 2013	10 June 2022	30,000				30,000
Du Lixin	Deputy chief engineer, Executive Dean of Lu Thai Engineering Technology Institute	Incumbent	Male	44	18 January 2018	10 June 2022					
Guo Heng	Manager of Business Management	Incumbent	Male	47	18 January 2018	10 June 2022					
Lyu Yongchen		Former	Male	52	6 June 2007	2 March 2022	33,750				33,750
Quan Peng	Manager of Brand Expanding	Appointed	Male	53	6 June 2013	10 June 2019	27,750		6,900		20,850

	Department										
Total	--	--	--	--	--	--	1,103,135	0	6,900	0	1,096,235

II Change of Directors, Supervisors and Senior Management

√Applicable □ Not applicable

Name	Office title	Type of change	Date of change	Reason for change
Xu Jianjun	Independent director	Left	12 March 2019	Left for personal reason
Zhou Zhiji	Independent director	Appointed	12 March 2019	By-election of independent director
Zhao Yao	Independent director	Left	10 June 2019	Change the term of office of the Board
Qu Dongmei	Independent director	Appointed	10 June 2019	Change the term of office of the Board
Quan Peng	Senior management	Left for term expiration	10 June 2019	Appointment of senior management

III Biographical Information

Professional backgrounds, major work experience and current duties in the Company of the incumbent directors, supervisors and senior management:

1. Mr. Liu Zibin: Chairman and President of the Company, born in 1965, with a master degree. He served as the GM and chairman of Zibo Lucheng Textile Co., Ltd. And he currently serves as the chairman and president of Luthai Textile Co., Ltd., the chairman of Lufeng Textile Dyeing Co., Ltd., the chairman of Xinjiang Luthai Harvest Cotton Industry Co., Ltd., the chairman of Xinjiang Luthai Textile Co., Ltd., the chairman of Zibo Xincheng Thermoelectric Co., Ltd., the chairman of Zibo Lu Qun Textile Co., Ltd., the chairman of Shanghai Luthai Textile and Garment Co., Ltd., the chairman of Luthai Textile (USA) Co., Ltd., the chairman of Luthai (Hong Kong) Co., Ltd., the director of Shanghai Zhinuo Textile New Materials Co., Ltd., and the chairman of Shandong Lulian New Materials Co., Ltd.
2. Mr. Xu Zhinan: Vice chairman of the Company, a Thaiander born in 1930. He served as director and GM of Thailand Fiber Cloth Factory Co., Ltd., director of Thailand Fiber Co., Ltd., director of Thailand Fiber Printing and Co., Ltd., director and deputy GM of Luthai Textile Co., Ltd. And he currently serves as the director and deputy chairman of the Company and GM of Thailand Fiber Co., Ltd.
3. Mr. Fujiwara Hidetoshi: Director of the Company, a Japanese born in 1940. He served as director of Degang Weaving Factory in Japan, director and senior consultant of Luthai Textile Co., Ltd. He currently serves as a director of Luthai Textile Co., Ltd. and a director of Lufeng Textile Dyeing Co., Ltd.
4. Mr. Chen Ruimou: Director of the Company, born in 1944 with a university degree. He served as staff of Jinyuan Co., Ltd, staff of Nissin Shokai Co., Ltd., supervisor and director of Luthai Textile Co., Ltd. And he currently serves as a director of the Company.
5. Mr. Zeng Facheng: Director of the Company, a Thaiander born in 1951. He is currently the chairman of GOLD MINE GARMENT CO., LTD. and BLOSSOM GARMENT MANUFACTURING (THAILAND) CO., LTD.; he also is the chairman of the Thai Shipping and Transportation Association, the chairman of the standing committee of the Thai Garment Industry Development Charity Foundation, the executive director of the Thai Chamber of Commerce, the Thai industry Director of the Association,

Chairman of the Thai Garment Industry Free Trade Association, and Director of Luthai.

6. Mr. Wang Fangshui: Director, vice president and chief engineer of the Company, born in 1961, with a master degree of business administration. He served as laboratory manager of Zibo No.2 Cotton Mill, manager of production department of Zibo No.7 Cotton Mill, chief engineer of Luthai Textile Co., Ltd. and chief engineer of Luthai Textile Co., Ltd. He currently serves as a director, deputy GM and chief engineer of the Company. Also, he serves as a director of Lufeng Textile Dyeing Co., Ltd., a director of Zibo Lu Qun Textile Co., Ltd., a director of Xinjiang Luthai Harvest Cotton Industry Co., Ltd., Xinjiang Luthai Textile Co., Ltd., Shanghai Zhinuo Textile New Materials Co., Ltd., Shandong Lulian New Materials Co., Ltd., executive director of Luthai (Myanmar) Co., Ltd. and a supervisor of Luthai (Vietnam) Co., Ltd.

7. Mr. Liu Deming: Director of the Company, director of global marketing department and minister of customer marketing department, born in 1990, with a master degree. Currently, he serves as chairman and GM of Zibo Lucheng Textile Investment Co., Ltd., director of Luthai Textile Co., Ltd. and director of global marketing department of the Luthai Textile Co., Ltd.

8. Ms. Qin Guiling: Director of the Company, born in 1966, with a master degree of business administration. He served as chief of planning department, manager of securities department, financial assistant to GM, deputy GM and secretary of board of directors of Luthai Textile Co., Ltd. In addition, he currently serves as a director of Luthai and chairman of board of supervisors of Xinjiang Luthai Harvest Cotton Industry Co., Ltd.

9. Ms. Zhang Hongmei: Director and chief accountant of the Company, born in 1970, with a master degree of business administration. She is a senior accountant. She served as chief of cost department, chief of accounting department and deputy chief accountant of Luthai Textile Co., Ltd., and currently serves as the chief accountant of the Company. He is also a director of Zibo Lu Qun Textile Co., Ltd. and a supervisor of Shanghai Zhinuo Textile New Materials Co., Ltd. and Shandong Lulian New Materials Co., Ltd.

10. Ms. Bi Xiuli: Independent director of the Company, born in 1967, with a master degree. He currently serves as a partner of DeHeng Law Offices and DeHeng Law Offices (Hong Kong). His main fields of practice are domestic and overseas listing, M&A, restructuring, private placement financing, venture capital and so on. He served as a lawyer of Beijing King & Capital Law Firm, Beijing JunZeJun Law Offices and China Legal Adviser of Li & Partners (China), and has been a partner in DeHeng Law Offices since January 2011.

11. Ms. Pan Ailing: Independent director of the Company, born in 1965, with a doctor degree of economics; and she serves as a postdoctor of financial management. She currently serves as a professor at the School of Management of Shandong University, a doctoral supervisor, a leader in accounting discipline, a director of the Investment and Financing Research Center of Shandong University, a non-practicing member of CICPA, a director of the Shandong Institute of Accounting, a managing director of the Shandong Institute of Comparative Management, a visiting professor at Soochow University in Taiwan, a visiting scholar at the UCONN, and a national candidate for the "New Century Talents Project". In addition, she is an outstanding talent of the Ministry of Education of the People's Republic of China in the new century and an expert specially posted by the State Council of the People's Republic of China.

12. Mr. Wang Xinyu: Independent director of the Company, born in 1967, with a master's degree. He is in possession of the certificates of CPA, CTA and CPV. He once taught at Jinan Vocational College, and successively worked as project manager & department manager of Shandong Zhengyuan Hexin Accounting Firm and Zhonglei Certified Public Accountants, and deputy GM of Shandong Branch. In addition, he currently serves as a senior partner of Reanda Certified Public Accountants LLP, Director of Shandong Branch, and independent director of the Company.

13. Mr. Zhou Zhiji: Independent director of the Company, born in 1963, with a bachelor degree. He is in possession of the certificates of CPA and senior accountant. He served as a cadre of Shandong Provincial Department of Finance, director of department of Shandong accounting firm, chief accountant of Shandong Zhengyuan Accounting Firm, director and manager of Shandong Yingshida Enterprise Management Consulting Co., Ltd., chairman of Shandong Jinheng Consulting Co., Ltd. Now, he serves as a supervisor of Shandong Jinheng Consulting Co., Ltd.

14. Ms. Qu Dongmei: Independent director of the Company, born in 1969, with a doctor degree of economic law. She currently serves as a professor at the School of Law of Shandong Normal University, a master's supervisor in Civil and Commercial Law, a

director of the Western Returned Scholars Association, a lawyer of Grandall Law Firm (Jinan) and an arbitrator of Jinan Arbitration Commission. In addition, he holds the license of insurance broker in Illinois, USA.

15. Mr. Zhang Shougang: Chairman of the Board of Supervisors and Director of Human Resources Department of the Company, born in 1970, with a master degree of business administration. He is in possession of a certificate of senior engineer. And he served as director of the weaving factory, manager of the weaving department, manager of the quality management department, manager of the garment production department and manager of the enterprise management department of the Company.

16. Mr. Liu Zilong: Supervisor of the Company, born in 1968, with a master degree of business administration. In addition, he has served as the GM of Luthai (Hong Kong) since 2002.

17. Mr. Dong Shibing: Supervisor of the Company, born in 1969, with a diploma of technical secondary school. He once served as deputy director of the GM's office of the Company. Currently, he served as the manager of the Company's logistics management department.

18. Mr. Zhang Jianxiang: Vice President of the Company and director of the Functional Fabric Manufacturing Center, born in 1968, with a master degree of business administration. He served as the head of the weaving section of Binzhou No.2 Cotton Mill, the director of the expansion office of Luthai Textile Co., Ltd., the director of the weaving factory of Luthai Textile Co., Ltd., the deputy manager of the production department of Luthai Textile Co., Ltd., the manager of the quality management department of Luthai Textile Co., Ltd., the director of the fabric finishing factory of Luthai Textile Co., Ltd., the deputy director and the executive director of the Luthai Textile and Clothing Engineering Research Institute.

19. Mr. Wang Jiabin: Vice president and safety director of the Company, director of yarn-dyed fabric manufacturing center, manager of yarn-dyed production management department and director of safety inspection department. Born in 1963, with a master degree of business administration, he served as workshop director of Zibo No. 1 Cotton Textile Mill, director of labor safety, weaving workshop director of Luthai Textile Co., Ltd., director of power, director of bleaching and dyeing factory, manager of bleaching and dyeing department and assistant to the GM.

20. Mr. Zhang Zhanqi: Vice president of the Company and director of printing and dyeing fabric manufacturing center, born in 1972, with a master degree of business administration. Also, he serves as a senior engineer, once was the factory director of fabric finishing factory and manager of quality management department of the Company.

21. Mr. Zhang Keming: Secretary of the board of directors of the Company, and director of Financial Management Department. Born in 1968, with a master degree of business administration, he is a senior accountant. Once he was deputy manager and manager of the financial department of the Company.

22. Mr. Li Wenji: CIO of the Company and manager of the information department of the enterprise management department, born in 1967. Once he was a teacher of Shandong University of Finance. He has served as the manager of the Company's information department Since July 2005; and he was appointed CIO in 2016.

23. Mr. Zhang Wei: director of the strategy and marketing department of the Company, born in 1985, with a doctor degree. He served as a researcher & manager of the strategic planning department of Guotai Junan Securities Co., Ltd., China Asset Management Co, Ltd.; he also serves as the director of Shanghai Zhinuo Textile New Materials Co., Ltd.

24. Mr. Wang Changzhao: Deputy director of the global marketing department and minister of product marketing department of the Company. Born in 1974, with a college degree, he served as a security worker in a weaving factory, an equipment manager, a document maker in an international business department, a copy clerk, a deputy section chief in a fabric department, a section chief, an assistant to manager, a manager in No.1 international business department, a manager in a marketing department and a manager in a yarn-dyed fabric marketing department.

25. Mr. Fujiwara Matsuzaka: GM of branch office in Japan, Japanese with a bachelor degree. He is a special foreign expert of the Company, and he once won the Qilu Friendship Award. In addition, he served as deputy manager of international business department, manager of No.1 international business department, manager of No.2 international business department and manager of clothing marketing department of Luthai Textile Co., Ltd.

26. Mr. Yu Shouzheng: Director of the energy and environmental protection department of the Company, born in 1968, with a master

degree of business administration. As an engineer, he once worked as the director of the power department and manager of the energy division of the Company.

27. Mr. Shang Chenggang: As the director of clothing manufacturing center and manager of clothing production management department. Born in 1973, he served as deputy director, director, manager of GM department, management representative and manager of garment production department of the Company.

28. Mr. Du Lixin: Executive director and deputy chief engineer of Luthai Institute of Engineering and Technology. Born in 1975, he served as spinning operator, a weaver's planner, a deputy director of the production department's dispatching room, a weaver's factory director, a manager of the weaving department, and a deputy manager of the production department of Luthai, as well as GM of Luthai (Vietnam) Co., Ltd.

29. Mr. Guo Heng: Director of enterprise management department of the Company. Born in 1972, he served as the deputy director of the spinning factory of Lu Thai, the deputy manager of the yarn business department, and the manager of the yarn business department of Luthai.

Offices held concurrently in shareholding entities:

Applicable Not applicable

Name	Shareholding entity	Office held in the shareholding entity	Start of tenure	End of tenure	Remuneration or allowance from the shareholding entity
Liu Zibin	Zibo Lucheng Textile Investment Co., Ltd.	Director	26 February 1999		No
Xu Zhinan	Tailun (Thailand) Textile Co., Ltd.	Chairman	29 January 1985		No
Liu Deming	Zibo Lucheng Textile Investment Co., Ltd.	Chairman and GM	1 February 2017		No
Explanations about holding posts in shareholders' companies	Mr. Liu Zibin is the Director of Zibo Lucheng Textile Investment Co., Ltd., holding 4% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Zibin: Chinese, no right of residence in other countries or regions. Mr. Liu Deming holds the post of Chairman and GM of Zibo Lucheng Textile Investment Co., Ltd., holding 21% equities of Zibo Lucheng Textile Investment Co., Ltd. Basic information of Mr. Liu Deming: Chinese, no right of residence in other countries or regions. Mr. Xu Zhinan is the sponsor of foreign capital of the Company, shareholder of Tailun (Thailand) Textile Co., Ltd. and Tailun (Thailand) Textile Co., Ltd. is the second largest shareholder of the Company. Basic information about Mr. Xu Zhinan: Thai.				

Offices held concurrently in other entities:

Applicable Not applicable

Name	Other entity	Office held in the entity	Start of tenure	End of tenure	Remuneration or allowance from the entity
Liu Zibin	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Zibo Xinsheng Thermal Power Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd., Lu Thai (America) Textile Co., Ltd. Lu Thai (HK) Textile Co., Ltd, Shanghai Zhinuo Textile New Material Co.,	Chairman of the Board, Director, GM	7 December 2015		No

	Ltd, Shandong Lulian New Materials Co., Ltd.				
Wang Fangshui	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd., Lufeng Weaving & Dyeing Co., Ltd. Zibo Luqun Textile Co., Ltd., Lu Thai (Burma) Textile Co., Ltd., Lu Thai (Vietnam) Textile Co., Ltd., and Shanghai Zhinuo Textile New Material Co., Ltd, Shandong Lulian New Materials Co., Ltd.	Director, Supervisor	17 June 2003		No
Liu Deming	Shanghai Zhinuo Textile New Materials Co., Ltd.	Director	21 August 2017		No
Qin Guiling	Xinjiang Lu Thai Good Yield Cotton Co., Ltd., Xinjiang Lu Thai Textile Co., Ltd.	Chairman of the Supervisory Committee	17 June 2003		No
Zhang Hongmei	Zibo Luqun Textile Co., Ltd., Shanghai Zhinuo Textile New Materials Co., Ltd., Shandong Lulian New Materials Co., Ltd.	Director, Supervisor	17 June 2003		No
Zhang Jianxiang	Shandong Lulian New Materials Co., Ltd., Shanghai Lu Thai Textile Garment Co., Ltd.	Director, Supervisor	30 December 2010		No
Du Lixin	Lu Thai (Tan Chau) Textile Co., Ltd., Lu Thai (Vietnam) Textile Co., Ltd.	Director	29 December 2015		No
Zhang Wei	Shanghai Zhinuo Textile New Materials Co., Ltd.	Director	15 October 2018		No
Bi Xiuli	Beijing Deheng Law Offices, Deheng Law Offices (Hong Kong)	Partner	1 January 2011		Yes
Pan Ailing	Shandong University School of Management	Professor	1 July 1986		Yes
Wang Xinyu	Reanda Certified Public Accountants Shandong Branch	Head	1 August 2013		Yes
Zhou Zhiji	Shandong Jinheng Consulting Co., Ltd	Supervisor	1 October 2015		Yes
Qu Dongmei	Law School of Shandong Normal University	Professor	1 July 2003		Yes
Xu Jianjun	Beijing Deheng Law Offices	Partner	1 August 2004		Yes
Zhao Yao	Shandong University of Technology	Associate professor	1 March 2001		Yes
Explanations about holding posts in other entities	Except for independent directors, all other entities the Company's directors, supervisors and senior management hold posts are majority-owned subsidiaries of the Company.				

Punishments imposed in the recent three years by the securities regulator on the incumbent directors, supervisors and senior management as well as those who left in the Reporting Period:

Applicable Not applicable

IV Remuneration of Directors, Supervisors and Senior Management

Decision-making procedure, determination basis and actual payments of remuneration for directors, supervisors and senior management:

<p>Remuneration committee under the board of directors is responsible for formulating assessment standards of directors and senior executives and conducting assessment; for formulating and reviewing remuneration policy and program of directors and senior executives; it is responsible for the board of directors. The remuneration committee, according to appraisal results of position performance and motivation and restriction plan for senior executives, proposes amount of payment and methods of reward for directors and senior executives and submits the above resolutions to the board of directors for ratification after the approval by voting.</p>
<p>The Chief Accountant, the Corporate Management Department and the HR Department of the Company was responsible for preparations for the decision-making of the Remuneration and Appraisal Committee by providing relevant information of the Company as follows: (I) accomplishment of main financial and business objectives; (II) accomplishment of relevant indicators of other listed companies in the sector; (III) work scope and main responsibilities of senior management staff.</p> <p>The remuneration committee appraised directors and senior management staff according to the completion situation of the Company's performance and the annual appraisal results of senior management staff were put forward according to the performance appraisal results and the senior staff incentive and disciplinary plan. Upon approval by voting, the results were reported to the Board of Directors for approval.</p>
<p>The number of incumbent directors, supervisors and senior executives is 29, among which there are 29 persons actually receiving remuneration from the Company. Till 31 December 2019, the total amount of annual payment drawn from the Company by directors, supervisors and senior executives is RMB21.0342 million (before tax).</p>

Remuneration of directors, supervisors and senior management for the Reporting Period

Unit: RMB'0,000

Name	Office title	Gender	Age	Incumbent/Former	Total before-tax remuneration from the Company	Any remuneration from related party
Liu Zibin	Chairman and President	Male	55	Incumbent	151.96	No
Xu Zhinan	Vice Chairman	Male	90	Incumbent	47.69	No
Fujiwara Hidetoshi	Director	Male	80	Incumbent	300.48	No
Chen Ruimou	Director	Male	76	Incumbent	47.68	No
Zeng Facheng	Director	Male	69	Incumbent	1.06	No

Wang Fangshui	Director, vice president, Chief Engineer	Male	59	Incumbent	153.94	No
Liu Deming	Director, controller of Global Marketing Department	Male	29	Incumbent	40.09	No
Qin Guiling	Director	Female	54	Incumbent	132.75	No
Zhang Hongmei	Director and Chief Accountant	Female	50	Incumbent	92.92	No
Zhou Zhiji	Independent Director	Male	56	Incumbent	4.8	No
Bi Xiuli	Independent Director	Female	53	Incumbent	4.8	No
Pan Ailing	Independent Director	Female	55	Incumbent	4.8	No
Wang Xinyu	Independent Director	Male	53	Incumbent	4.8	No
Qu Dongmei	Independent Director	Female	51	Incumbent	4.8	No
Zhang Shougang	Chairman of the Supervisory Committee, Controller of Human Resources Department	Male	50	Incumbent	88.62	No
Liu Zilong	Supervisor	Male	52	Incumbent	69.16	No
Dong Shibing	Supervisor, Manager of Logistics Management Department	Male	51	Incumbent	66.63	No
Zhang Jianxiang	Vice president, controller of Functional Fabric Manufacturing Center	Male	52	Incumbent	99.66	No
Wang Jiabin	Vice president, Security	Male	57	Incumbent	96.39	No

	Controller, controller of Yarn-dyed Fabric Manufacturing Center					
Zhang Zhanqi	Vice president, controller of Dyeing and Finishing Fabric Manufacturing Center	Male	48	Incumbent	95.35	No
Zhang Keming	Board Secretary, controller of Financial Management Department	Male	52	Incumbent	65.76	Yes
Li Wenji	CIO	Male	53	Incumbent	61.03	No
Zhang Wei	Controller of Strategy and Market Department	Male	34	Incumbent	77.67	No
Wang Changzhao	Vice controller of Global Marketing Department	Male	46	Incumbent	69.99	Yes
Fujiwara Matsuzaka	GM of Japan Office	Male	47	Incumbent	105.28	No
Yu Shouzheng	Controller of Energy and Environment Protection Department	Male	52	Incumbent	66.72	No
Shang Chenggang	Controller of Garment Manufacturing Center	Male	47	Incumbent	68.08	No
Du Lixin	Deputy chief engineer, Executive Dean of Lu Thai Engineering Technology	Male	44	Incumbent	40.65	No

	Institute					
Guo Heng	Controller of Business Management Department	Male	47	Incumbent	39.86	No
Total	--	--	--	--	2,103.42	--

Equity incentives for directors, supervisors and senior management in the Reporting Period:

Applicable Not applicable

V Employees

1. Number, Functions and Educational Backgrounds of Employees

Number of in-service employees of the Company as the parent	11,821
Number of in-service employees of major subsidiaries	14,592
Total number of in-service employees	26,413
Total number of paid employees in the Reporting Period	26,413
Number of retirees to whom the Company as the parent or its major subsidiaries need to pay retirement pensions	0
Functions	
Function	Employees
Production	19,857
Sales	569
Technical	5,109
Financial	120
Administrative	758
Total	26,413
Educational backgrounds	
Educational background	Employees
Doctor	6
Master	96
Bachelor	1,143
College	5,151
High school and below	20,017
Total	26,413

2. Employee Remuneration Policy

The Company has formulated a remuneration management system with its principle being “payment according to one’s work and more pay for more work”. Through post evaluation and through researches of Social salary levels carried out as multi-faceted, as well as the formulation of the reasonable salary management system, fully demonstrates the internal fairness, self-fairness and external fairness. It has greatly motivated the employees and enhanced the corporate management.

3. Employee Training Plans

Trainings will be carried out according to requirements of the Company’s strategic development planning, improvement of employees’ capability, performance management, employees’ career planning, etc. The annual training plan is determined by carrying out researches on training needs. And the training courses fall into three major categories, i.e. management, technical skills and general knowledge. Through these trainings, the Company will improve the knowledge structure of its employees, improve their job skills and increase their comprehensive quality to provide excellent human resources for the long-term, sustained and stable development of the Company.

4. Labor Outsourcing

√ Applicable □ Not applicable

Total man-hours (hour)	138,296
Total rewards paid (RMB)	1,521,254.00

Part X Corporate Governance

I General Information of Corporate Governance

During the Reporting Period, the Company strictly conforms to Company Law, Securities Law and Governing Rules for Listed Company, Stock Listing Rules of Shenzhen Stock Exchange, and Standard Operation of Companies Listed on the Main Board of Shenzhen Stock Exchange as well as relevant stipulations and requirements from normative documents, continuously improves the corporate governance structure, safeguards the standardized and efficient operation of three Committees and one Management, forms a sound and effective internal control system so as to safeguard legitimate interests of the Company and investors. Within the Reporting Period, the Company supplemented and amended partial provisions stated in *Lu Thai Textile Board of Directors Audit Committee Working Instructions*, *Lu Thai Textile Board of Directors Audit Committee Annual Report Working Procedures*, *Lu Thai Textile Information Insider Registration Management System*, *Lu Thai Textile Board of Directors Procedural Rules*, *Lu Thai Textile Supervisory Committee Procedural Rules*, *Lu Thai Textile Independent Director Working System*, *Lu Thai Textile Related Transaction Management System*, *Management System of Fund Flow between Lu Thai Textile and the Related Parties* and *Articles of Association of Lu Thai Textile* according to *Listed Company Governance Criteria* issued by CSRC and the latest provisions stipulated in *Decision on Revising the Guidelines for the Listed Company's Articles of Association* (CSR Announcement [2019] No.10).

1. Shareholders and Shareholders' General Meeting

The Company shall convene and hold the shareholders meeting in strict accordance with the *Shareholders Meeting Procedural Rules*, and guarantee that all shareholders, especially the minority shareholders, could have equal status and fully execute their rights.

2. The relationship between the majority shareholders and the Company

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

3. The directors and Board of Directors

The Company's Board of Directors shall perform their duties in strict accordance with *Articles of Association* and the *Board of Directors Procedural Rules*. Under the Board of Directors, the Company established the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. Various specialized committees would fully perform their functions and further guarantee the high-efficient operation and the scientific decision-making of the Board of Directors.

4. Supervisors and Supervisory Committee

The Company's Supervisory Committee will perform their duties in strict accordance with *Articles of Association* and the *Supervisory Committee Procedural Rules*. The number of members and the composition of the Company's Supervisory Committee shall comply with applicable laws and regulations; the Company's supervisors shall strictly abide by relevant provisions, seriously execute their duties and supervise the Company's financial status and the legal execution of duties of the directors, manager and other senior managers by adhering to the principle of being responsible for the shareholders and the listed company.

5. Information disclosure

The Company strictly, in accordance with the laws, regulations and the *Articles of Association*, disclosed relevant information in a true, accurate, complete and timely manner. The Company has formulated the Information Disclosure Management System, Inside Information and Insider Management System and Investor Relations Management System, etc., to ensure the fairness, openness and fairness of information disclosure.

6. Investor relations management

During the reporting period, as required by Investor Relations Management System, to maintain good communication with investors, the Company accepted on-site investigations and consultations of investors through on-site investigations and telephone consultations, and promptly answered questions asked by investors on the SZSE Easy-IR.

Indicate by tick market whether there is any material incompliance with the regulatory documents issued by the CSRC governing the governance of listed companies.

Yes No

No such cases in the Reporting Period.

II The Company's Independence from Its Controlling Shareholder in Business, Personnel, Asset, Organization and Financial Affairs

1. As for the business: the Company shall establish its independent and complete business system with the market-oriented independent management ability. In the respect of business operation, the Company is completely separated from the controlling shareholders.

2. As for the personnel: the Company's labor, personnel and remuneration management departments shall be independent with their own sound systems, and separated from that of the substantial shareholder. The Company's senior managers are not allowed to simultaneously hold any office in any shareholder's unit.

3. As for the assets: the Company possesses the entire and independent legal person property right with independent and perfect the production system, auxiliary production systems and supporting facilities; and possesses the independent ownership of the intangible assets such as the industrial property, trademarks, non-patented technology.

4. As for the institution: the Company's Board of Directors, Supervisory Committee and other internal organization shall be sound and involved in independent operation. The substantial shareholder shall legally execute its rights, fulfill corresponding obligations and not surpass the shareholders meeting to directly or indirectly interfere the Company's business activities.

5. As for the finance: the Company possesses independent financial departments with normative financial accounting system and financial management system as well as internal control system with independent bank account.

III Horizontal Competition

Applicable Not applicable

IV Annual and Special General Meetings Convened during the Reporting Period

1. General Meeting Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Date of the meeting	Disclosure date	Index to disclosed information
The 1 st Extraordinary General Meeting of 2019	Extraordinary General Meeting	0.00%	12 March 2019	13 March 2019	Announcement on the Resolution of the Meeting (No.: 2019-012) disclosed on 13 March 2019 on Securities Times, China Securities Journal, Shanghai Securities

					News, Ta Kung Pao, and http://www.cninfo.com.cn
The 2018 Annual General Meeting	Annual General Meeting	0.00%	23 April 2019	24 April 2019	Announcement on the Resolution of the Meeting (No.: 2019-027) disclosed on 24 April 2019 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn
The 2 nd Extraordinary General Meeting of 2019	Extraordinary General Meeting	0.00%	10 June 2019	11 June 2019	Announcement on the Resolution of the Meeting (No.: 2019-047) disclosed on 10 June 2019 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn
The 3 rd Extraordinary General Meeting of 2019	Extraordinary General Meeting	0.00%	16 September 2019	17 September 2019	Announcement on the Resolution of the Meeting (No.: 2019-059) disclosed on 10 June 2019 on Securities Times, China Securities Journal, Shanghai Securities News, Ta Kung Pao, and http://www.cninfo.com.cn

2. Special General Meetings Convened at the Request of Preferred Shareholders with Resumed Voting Rights

Applicable Not applicable

V Performance of Duty by Independent Directors in the Reporting Period

1. Attendance of Independent Directors at Board Meetings and General Meetings

Attendance of independent directors at board meetings and general meetings							
Independent director	Total number of board meetings the independent director was eligible to	Board meetings attended on site	Board meetings attended by way of telecommunication	Board meetings attended through a proxy	Board meetings the independent director failed to attend	The independent director failed to attend two consecutive board meetings (yes/no)	General meetings attended

	attend						
Bi Xiuli	14	4	10	0	0	No	0
Pan Ailing	14	5	9	0	0	No	0
Wang Xinyu	14	5	9	0	0	No	0
Zhou Zhiji	12	5	7	0	0	No	1
Qu Dongmei	7	3	4	0	0	No	0
Xu Jianjun	2	0	2	0	0	No	0
Zhao Yao	7	2	5	0	0	No	0

Why any independent director failed to attend two consecutive board meetings:

Not applicable

2. Objections Raised by Independent Directors on Matters of the Company

Indicate by tick mark whether any independent directors raised any objections on any matter of the Company.

Yes No

No such cases in the Reporting Period.

3. Other Information about the Performance of Duty by Independent Directors

Indicate by tick mark whether any suggestions from independent directors were adopted by the Company.

Yes No

Suggestions from independent directors adopted or not adopted by the Company:

The Independent Directors of the Company had not raised any objection to the proposals and other events approved and reviewed by the Board of the Directors while executed the carefully review on the events needed advices and put forward the professional suggestion and advice as well as stated 27 independent advices which improved the scientificity and objectivity of the decision-making that exerted the due role on the supervision mechanism for improving the Company.

VI Performance of Duty by Specialized Committees under the Board in the Reporting Period

I. Duty fulfillment of Audit Committee under the Board

1. Major work of the 2019 annual report of the Audit Committee:

(1) The Audit Committee had held the 2018 the 1st Meeting of the Audit Committee on the Financial Audit Work in the meeting room of the Company on 11 November 2019 and the meeting had confirmed the time and arrangement plan of the 2019 annual financial audit work unanimously with the 2019 Audit Institution Grant Thornton China (Special General Partnership).

(2) On 20 January 2020, the Audit Committee had held the 2nd Meeting of the 2019 Audit Work, which reviewed and submitted the financial report audited by Grant Thornton China (Special General Partnership) and issued the written advice.

(3) During the audit process, the Company had been maintained the contract and communication with the project leader of Grant Thornton China (Special General Partnership) by the methods such as the telephones and e-mails and had been urged which to submit the audit report within the appointed time.

(4) The 3rd Meeting on 2019 Annual Audit and the 2018 Annual Work Conference, were convened by the Committee on 28 April

2020, where the following proposals were approved as resolutions, namely, the audited 2019 Financial Report of the Company, the Summary Report on the Audit Conducted by Grant Thornton China (Special General Partnership) on the Company's 2019 Financial Report.

2. On 28 April 2019, the Audit Committee held the 3rd Meeting of the Audit Committee of the 8th Board of Directors at the Company's Meeting Room, reviewed and approved the *Proposal of the Company's Derivatives Trading Plan*, and gave the following opinions: in the foreign exchange market, the exchange rate of RMB against U.S. Dollars was subject to the interval fluctuations. The financial department put forward the derivatives trading plan as an effective tool to avoid possible exchange rate risks. By enhancing the internal control and implementing various measures to stop losses and control risks, the operation and management level could be improved and the Company could give full play to its competitive advantages. On the premise that the normal operation could be guaranteed, the Company could use its own funds to conduct the derivatives trading, which would be conducive to avoid the RMB exchange rate variation risks, enhance the Company's ability to fend off the exchange rate fluctuations, improve the operation and management level and give full play to the competitive advantages without damaging the interests of the Company and all shareholders. In our opinions, the derivatives trading plan is feasible and necessary and possible risks are controllable. Therefore, we agree to submit the *Derivatives Trading Plan of Lu Thai Textile* to the 26th Meeting of the 8th Board of Directors for further deliberation.

3. Written opinions, summary report of the annual audit, and resolutions of 2019 Work Conference on Annual Report by Audit Committee:

(1) According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. The Committee reviewed the 2019 financial and accounting statements prepared by the Company's Financial Department before the presence of the registered accountants for the annual audit, and expressed its opinion as follows:

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

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

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

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

(2) Audit Committee's written opinion on the Company's financial statements after the preliminary audit opinion was issued by Grant Thornton China (Special General Partnership):

According to the Rules for Audit Committee of the Board Concerning Annual Reports of Lu Thai Textile Co., Ltd., the Audit Committee shall perform its duties of conducting supervision and checks in the Company's preparation and disclosure of its annual reports. We effectively communicated with the said CPA firm (LLP) at the beginning of the audit. And we once again reviewed the Company's 2019 financial and accounting statements following the preliminary audit opinion to the Company's 2019 financial statements issued by the CPA firm (LLP), and expressed our opinions as follows:

In accordance with the New Accounting Standards for Business Enterprises and the Company's relevant financial rules, the financial statements were prepared in a rational and standardized way, which fairly, factually, accurately and completely presented the

Company's assets, liabilities, shareholders' equity and operation results by 31 December 2019.

The Audit Committee is of the opinion that the Company's 2019 financial and accounting statements preliminarily audited by Grant Thornton China (Special General Partnership) are ready to be submitted to the 13th Meeting of the 9th Board of the Directors for review.

(3) Resolutions made at 2019 Annual Work Conference of Audit Committee of the Board

The Audit Committee of the Board of Lu Thai Textile Co., Ltd. held its 2019 Annual Work Conference at F1 Meeting Room of the head office of the Company on 28 April 2020. Three persons were supposed to attend the meeting, and all three of them were in fact present at the meeting as well as the Chief Accountant, Board Secretary and Controller of the Audit Department, the project responsible person of Lu Thai of Grant Thornton China (Special General Partnership) attended the meeting. Mr. Wang Xinyu, Chairman of the Audit Committee, presided over the meeting. The meeting was convened in accordance with the Company Law and the Articles of Association of the Company. And the following proposals were passed by vote at the meeting:

I. With 3 favorable votes, 0 negative votes and no abstentions, the 2019 Financial Report of the Company audited by Grant Thornton China (Special General Partnership) was passed;

II. With 3 favorable votes, 0 negative votes and no abstentions, the Summary Report on the Audit Conducted by Grant Thornton China (Special General Partnership) on the Company's 2019 Financial Report was passed;

III. With 3 favorable votes, 0 negative votes and no abstentions, the Company paid RMB1.735 million to the said CPAs firm as fees for the 2019 annual financial report audit and internal control audit.

IV. With 3 favorable votes, 0 negative votes and no abstentions, the Proposal on Employment of Grant Thornton China (Special General Partnership) as the Company's audit agency for 2020 Finance and Internal Control was passed.

The Committee agrees to submit the above-mentioned proposals I and III and IV to the Board of Directors for examination on the 13th Meeting of the 9th Board of Directors.

II. Duty performance of Remuneration Committee affiliated to the Board of Directors

1. The Remuneration Committee of the Board of Lu Thai Textile Co., Ltd. held the First Conference in 2019 at Banyang Villa Meeting Room of the Company on 27 March 2019. Five persons were supposed to attend the meeting, and all of them were in fact present at the meeting. The chief accountant and Board Secretary attended this meeting. The meeting held by the Company met with the relevant regulations of Company Law and the Articles of Association of the Company and reviewed and approved the Proposal on the 2018 Appraisal Result of the Senior Executives of Lu Thai Company by the voting method and agreed to submit the above-mentioned proposal to the Board of Directors for examination on the 24th Meeting of the 8th Board of Directors.

2. According to authorization of the 24th Meeting of the 8th Board of Directors of Lu Thai, remuneration committee of board of directors of Lu Thai Textile Co., Ltd. held the second Meeting of 2019 in the meeting room of Panyang Villa Meeting Room of the Company on 14 May 2019. Five persons should attend the meeting and five persons actually attended the meeting. Among the five persons, Bi Xiuli, Zhao Yao, Wang Xinyu and Pan Ailing voted in the form of communication. Chief accountant and the secretary of board of directors also attended the meeting. The meeting accorded with relevant stipulations in Company Law and Articles of Company. Proposal for Risk Fund Assessment and Release Amount for 2018 was passed at the meeting in voting form.

III. Duty execution of the strategy committee of board of directors

The Strategy Committee of Board of Directors of Lu Thai Textile Co., Ltd. held the 1st Conference of 2019 in the meeting room of Panyang Villa Meeting Room of the Company on 27 March 2019. 13 persons should attend the meeting and 13 persons actually attended the meeting. This meeting was hosted by Liu Zibin, the president of strategy committee. The meeting accorded with relevant stipulations in Company Law and Articles of Association and passed the following proposals in voting form.

1. Overall Strategic Objectives of Yarn Dyed Fabric of Lu Thai Textile Co., Ltd. for 2019-2021.
2. Overall Strategic Objectives of Shirts Processing of Lu Thai Textile Co., Ltd. for 2019-2021.
3. Overall Strategic Objectives of Lu Thai Textile Co., Ltd. for 2019-2021

IV. Duty performance of nominations committee affiliated to the Board of Directors

1. The Company held the 1st Meeting of 2019 of the nominations committee of the 8th Board of Directors on 21 February 2019 according to the relevant regulations of the Company Law and Articles of Association, with 7 favorable votes, 0 negative votes and no abstentions, which reviewed and approved the Proposal on Nomination for the By-Election of Candidates of Independent Directors of the 8th Board of Directors. And it was approved by the 1st Extraordinary General Meeting of 2019 after approved by the 23rd Meeting of the 8th Board of Directors.
2. The Company held the 2nd Meeting of 2019 of the nominations committee of the 8th Board of Directors on 14 May 2019 with 6 favorable votes, 0 negative votes and no abstentions, which reviewed and approved the Proposal on the General Election of the Board and Nomination for Candidates of Directors of the 9th Board of Directors and the Proposal on Nomination for Candidates of Independent Directors of the 9th Board of Directors. Above proposals were approved by the 2nd Extraordinary General Meeting of 2019 after approved by the 27th Meeting of the 8th Board of Directors.
3. The Company held the 1st Meeting of 2019 of the nominations committee of the 9th Board of Directors on 10 June 2019 with 6 favorable votes, 0 negative votes and no abstentions, which reviewed and approved ten proposals on nomination for election of Chairman of the Board, Vice Chairman of the Board, Chairman and members of all specialized committees, Board Secretary and Securities Representative, GMs, Deputy GMs, Chief Accountant and other senior management. Above proposals were approved by the 1st Meeting of the 9th Board of Directors of the Company.

VII Performance of Duty by the Supervisory Committee

Indicate by tick mark whether the Supervisory Committee found any risk to the Company during its supervision in the Reporting Period.

Yes No

The Supervisory Committee raised no objections in the Reporting Period.

VIII Appraisal of and Incentive for Senior Management

In the Reporting Period, Remuneration Committee of the Board of Directors appraised operating achievements of the Company for the year 2018 according to Incentive and Restricted Proposal for Senior Executives of Lu Thai Textile Co., Ltd, and drew up incentive proposal for senior executives, which will be executed after review and approval by the 24th Meeting of the 8th Board of Directors dated 27 March 2019. During the Reporting Period, the Company constantly improved the performance evaluation mechanism and made the evaluation and incentive of the Senior Executives concerned with the Company's performances and the individual working results. According to the overall development strategy and the annual operating target of the Company at the period-begin, the Company confirms the annual performance comprehensive indication and the management duty of each Senior Executives, and executes the performance examination and the redemption of the rewards and punishment for the Senior Executives by the Remuneration and Examination Committee affiliated to the Board of Directors at the year-end. The Company will constantly improve the evaluation and incentive mechanism that to tightly concern the salary of the Senior Executives with the management level and the operating performance so that to fully mobilize and inspire the initiative and creativity of them.

IX Internal Control

1. Material Internal Control Weaknesses Identified for the Reporting Period

Yes No

2. Internal Control Self-Evaluation Report

Disclosure date of the internal control self-evaluation report	30 April 2020	
Index to the disclosed internal control self-evaluation report	For details, please refer to the Self-appraisal Report on Internal Control of Lu Thai Textile Co., Ltd. simultaneously disclosed on www.cninfo.com.cn with the 2019 Annual Report of the Company.	
Evaluated entities' combined assets as % of consolidated total assets	94.26%	
Evaluated entities' combined operating revenue as % of consolidated operating revenue	90.17%	
Identification standards for internal control weaknesses		
Type	Weaknesses in internal control over financial reporting	Weaknesses in internal control not related to financial reporting
Nature standard	<p>Great defect: malpractices of the Directors, Supervisors and Senior Executives; the Company revised the published financial report; the CPA founded the current financial report occurred significant misstatement while during the operating process of the internal control could not founded the misstatement; the supervision of the Audit Committee and the internal audit institution of the Company on the internal control was invalid. Significant defeat: had not abide by the generally accepted accounting principles to choose and apply the accounting policies; had not built up the anti-fraud and significant counterbalance mechanism and control measures; during the financial report process, there occurred single or multiple defects which not reached the recognition standard of the significant defeat but influenced the true and accurate target of the financial report. General defect: other internal control defect which had not constructed as the great defeat, significant defect.</p>	<p>Great defect: violated the national laws and regulations; the decision-making of the enterprise was not scientific that led to the mistakes of itself; outflow of the management personnel or the technician personnel was serious; frequently appeared the negative news from the Media; the significant business lacked of systematic control or the systematic control was invalid; the result of the internal control assessment which was the great defect event had not been revised. Significant defeat: violated the enterprise internal regulations that caused rather serious losses; significant business lacked of systematic control; outflow of the rather important personnel was serious; the Media reported the negative news that caused rather serious negative influence; rather important business lacked of systematic control or the systematic control was invalid; the results of the internal control assessment which as the significant defect had not been revised. General defect: other internal control defect which had not constructed as the great defeat, significant defect.</p>

Quantitative standard	<p>Great defect: misstatement\geq2% of the total profits amount; misstatement\geq0.3% of the total assets amount; misstatement\geq0.3% of the total operating income; misstatement\geq0.4% of the total owners' equities amount. Significant defect: 1% of the total profits amount \leqmisstatement$<$2% of the total profits amount; 0.15% of the total assets amount \leqmisstatement$<$0.3% of the total assets amount; 0.15% of the total operating amount \leqmisstatement$<$0.3% of the total operating amount; 0.2% of the total owners' equities amount \leqmisstatement$<$0.4% of the total owners' equities amount. General defect: misstatement$<$1% of the total profits amount; misstatement$<$0.15% of the total assets amount; misstatement$<$0.15% of the total operating income; misstatement$<$0.2% of the total owners' equities amount.</p>	<p>Great defect: the direct financial losses were RMB6 million and above Significant defect: RMB3 million (including RMB3 million)-RMB6 million General defect: RMB0.5 million (including RMB0.5 million)-RMB 3 million</p>
Number of material weaknesses in internal control over financial reporting		0
Number of material weaknesses in internal control not related to financial reporting		0
Number of serious weaknesses in internal control over financial reporting		0
Number of serious weaknesses in internal control not related to financial reporting		0

X Independent Auditor's Report on Internal Control

Applicable Not applicable

Opinion paragraph in the independent auditor's report on internal control
<p>All shareholders of Lu Thai Textile Co., Ltd.:</p> <p>According to Audit Guidelines for Enterprise Internal Control and the relevant requirements of Auditing Standards for Chinese Certified Public Accountants, we have audited the effectiveness of internal control in the financial report of Lu Thai Textile Co., Ltd. (Hereinafter referred to as "Lu Thai Textile") by 31 December 2019.</p> <p>I. Responsibilities of Lu Thai Textile for internal control</p> <p>The Board of Directors of Lu Thai Textile is responsible for establishing, improving and implementation the internal controls and evaluating its effectiveness in accordance with Standard for Enterprise Internal Control, Application Guidelines for Enterprise Internal Control, Enterprise Internal Control Audit Guidelines.</p> <p>III. Responsibilities of certified public accountants</p> <p>It is our responsibility to issue an audit opinion on the effectiveness of internal controls in financial report on the basis of the</p>

implementation of the audit, and to disclose significant deficiencies in the internal controls of non-financial reports that have been noted.

III. Inherent limitations of internal control

Internal control has inherent limitations, and there is a possibility that misreporting cannot be prevented. In addition, because the change of circumstances may cause the internal control to become inappropriate or the degree of compliance with the control policies and procedures is reduced, it is risky to infer the effectiveness of the future internal control based on the audit results of the internal control.

IV. Audit Opinion on Internal Control in Financial Report

We believe that Lu Thai Textile Co., Ltd. kept effectively internal control on financial reporting in all respects according to Enterprise Internal Control Basic Specification and the relevant provisions on 31 December 2019.

Independent auditor's report on internal control disclosed or not	Disclosed
Disclosure date	30 April 2020
Index to such report disclosed	For details, please refer to the Auditor's Report on Internal Control on www.cninfo.com.cn at the same time of disclosing the Company's 2019 Annual Report.
Type of the auditor's opinion	Unmodified unqualified opinion
Material weaknesses in internal control not related to financial reporting	None

Indicate by tick mark whether any modified opinion is expressed in the independent auditor's report on the Company's internal control.

Yes No

Indicate by tick mark whether the independent auditor's report on the Company's internal control is consistent with the internal control self-evaluation report issued by the Company's Board.

Yes No

Part XI Corporate Bonds

Does the Company have any corporate bonds publicly offered on the stock exchange, which were outstanding before the date of this Report's approval or were due but could not be redeemed in full?

No.

Part XII Financial Statements

I Independent Auditor's Report

Type of the independent auditor's opinion	Unmodified unqualified opinion
Date of signing this report	28 April 2020
Name of the independent auditor	Grant Thornton China (Special General Partnership)
Reference number of Audit Report	GTSZ(2020)No. 371ZA7982
Name of the certified public accountants	Wei Qianting, Guo Dongmei

Text of the Independent Auditor's Report

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

I Opinion

We have audited the financial statements of Lu Thai Textile Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and parent company balance sheets as of 31 December 2019, the consolidated and parent company statements of income, cash flows and changes in owners' equity for the year then ended, as well as the notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and parent company financial position of the Company at 31 December 2019, and the consolidated and parent company operating results and cash flows for the year then ended, in conformity with the Chinese Accounting Standards (CAS).

II Basis for Opinion

We conducted our audits in accordance with the Audit Standards for Chinese Registered Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Audit of Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the said Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Recognition of revenue

For details, please refer to the Note V-22 and the Note VII-41 of the financial report.

1. Item description

The businesses of Lu Thai Textile Co., Ltd. mainly are production and sales of yarn-dyed fabrics and shirts. The operation revenue of the Company in 2019 was RMB6801,381,400, of which export income accounted for over 60%. For the income from domestic sales, the amount of product sales income is recognized when the products are delivered to and confirmed by the purchaser according to the contract. The income is also recognized when the purchase price has been recovered or the receipt certificate has been received and the related economic benefits are likely to flow into the Company, and the product-related costs can be measured in a reliable way. For the income from export sales, the amount of sales income is recognized when products are declared and depart from port

according to the contract, and the bill of lading is received. The income is also recognized when the purchase price has been recovered or the receipt certificate has been received and the related economic benefits are likely to flow into the Company, and the product-related costs can be measured in a reliable way.

Since income is one of the key performance indicators of Lu Thai Textile Co., Ltd., there is an inherent risk that the management manipulates income to achieve specific goals or expectations, therefore, we identify income recognition as a key audit item.

2. Audit response

The audit procedures for revenue recognition mainly include:

- (1) Understand and evaluate the design effectiveness of internal control related to revenue recognition, and test the effectiveness of operation;
- (2) Through interviewing the management and reviewing the relevant contract terms, understand and evaluate whether the income confirmation accounting policy meets the requirements of the enterprise accounting standards and is consistently applied;
- (3) Perform analytical procedures on revenue and costs to analyze the rationality of fluctuations in sales volume, unit price, and gross profit in each month, current year, and previous year of the current period;
- (4) Check the supporting evidence such as sales contract, product delivery order, invoice, customs declaration, shipping order, and signing receipt;
- (5) Select samples to verify the balance and transaction amount;
- (6) Select samples and conduct spot checks on relevant information such as export sales revenue, export tax rebate declaration forms, and China electronic port export data;
- (7) Perform a cut-off test on the revenue recognized before and after the balance sheet date, and check the product delivery slip, invoice, customs declaration, shipping bill, signing receipt, etc., to assess whether the revenue is recognized within the appropriate period.

(II) Inventory falling price reserves

For details, please refer to the Note V-11 and the Note VII-8 of the financial report.

1. Item description

As of 31 December 2019, the inventory balance of Lu Thai Textile Co., Ltd. was RMB2,524,353,000 and the inventory depreciation reserve was RMB102,852,700. The management withdrew the inventory falling price reserves with significant judgments and estimates, and therefore, we identify inventory falling price reserves as a key audit item.

2. Audit response

The audit procedures for inventory falling price reserves mainly include:

- (1) Understand and evaluate the design effectiveness of the internal control related to the provision of inventory decline price, and test the effectiveness of operation;
- (2) Understand and evaluate the appropriateness of the company's inventory depreciation reserve provision policy;
- (3) Monitor the inventory and pay attention to the status of the inventory, check whether the defective and inventory with long aging have been identified;
- (4) Obtain the inventory age table, and conduct an analytical review of the long-age inventory status and turnover;
- (5) Check the changes in the inventory depreciation reserves accrued in previous years and evaluate the rationality of the changes in inventory depreciation reserves;
- (6) Obtain the inventory falling price reserves calculation sheet; recheck and evaluate the rationality of major estimations made by the management during the determination of net realizable value; conduct the recalculation, check the selling price after the period and analyze the rationality of the predicted selling price.

(III) Assessment of fair value of financial assets measured at fair value and changes included in current profit or loss

Please refer to Notes to Financial Statements (Note V 10 and Note VII 2, 12 and 49) for details about relevant information disclosure.

1. Event Description

Up to 31 December 2019, the balance of financial asset measured based on the fair value whose variations were included the current profit and loss of Lu Thai Textiles was RMB330.5056 million, of which, the fair value of financial asset classified into the tier-2

input value by adopting the observable input value was RMB232.1495 million, and the fair value of financial asset classified into the tier-3 input value by adopting the non-observable input value was RMB98.3561 million. Considering that the financial asset's fair value variations had significant impact on the profit and loss of Lu Thai Textiles in 2019, and Lu Thai Textiles adopted the valuation technique to determine its fair value (usually, the valuation technique involves various assumptions and estimations based on subjective judgment, and huge difference in the estimated fair value of financial instrument may be caused by adopting different valuation techniques or assumptions), we recognized the event as the key audit event.

2. Audit response

Our audit procedures geared to the evaluation of the financial instrument's fair value mainly include:

- (1) Study and evaluate the effectiveness of the designed internal control for the valuation of financial instruments and test the operational effectiveness;
- (2) Assess the professional quality, competence and objectiveness of the independent appraiser employed by the Company's management; evaluate the rationality of various assumptions applied by the independent appraiser in the evaluation report and the appropriateness of the financial instrument valuation models;
- (3) Assess the rationality and appropriateness of the observable key input value applied during the valuation of the tier-2 fair value;
- (4) Check the rationality, appropriateness and calculation accuracy of the key input value during the fair value assessment for the tier-3 financial instrument measured based the fair value and involving the management's major judgment.

IV Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V Responsibilities of Management and Those Charged with Governance for Financial Statements

The Company's management (hereinafter referred to as the "Management") is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI Auditor's Responsibilities for Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CAS will always detect a material misstatement

when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Company regarding the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards (if applicable).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Special General Partnership)

Beijing · China

(Engagement Partner):

Chinese CPA:

28 April 2020

II Financial Statements

Currency unit for the financial statements and the notes thereto: RMB

1. Consolidated Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

31 December 2019

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary assets	924,322,008.17	545,502,709.36
Held-for-trading financial assets	52,356,098.85	
Financial assets at fair value through profit or loss		
Notes receivable	104,737,949.91	174,657,918.26
Accounts receivable	515,306,599.62	374,607,116.55
Accounts receivable financing	26,963,818.87	
Prepayments	56,828,987.59	149,582,616.21
Other receivables	59,743,471.84	63,012,001.10
Including: Interest receivable		
Dividends receivable		
Inventories	2,421,500,259.30	2,093,366,992.30
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	68,788,674.10	86,366,454.56
Total current assets	4,230,547,868.25	3,487,095,808.34
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		85,112,000.00
Investments in other debt obligations		
Held-to-maturity investments		

Long-term receivables	7,058,233.71	10,693,844.75
Long-term equity investments	103,226,300.00	96,018,463.65
Investments in other equity instruments		
Other non-current financial assets	278,149,500.00	
Investment property	45,896,747.87	22,880,242.95
Fixed assets	6,012,094,104.67	5,748,562,385.35
Construction in progress	400,235,070.01	337,230,646.42
Productive living assets		
Intangible assets	516,479,519.15	478,689,064.45
R&D expense		
Goodwill	20,563,803.29	20,613,803.29
Long-term prepaid expense	153,031,253.79	119,126,407.71
Deferred income tax assets	99,307,233.72	88,636,929.06
Other non-current assets	18,841,918.62	43,100,215.87
Total non-current assets	7,654,883,684.83	7,050,664,003.50
Total assets	11,885,431,553.08	10,537,759,811.84
Current liabilities:		
Short-term borrowings	2,120,154,330.61	1,325,273,780.05
Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		4,877,600.00
Derivative financial liabilities		
Notes payable	85,219,724.63	502,347.05
Accounts payable	305,346,284.94	353,186,163.90
Advances from customers	108,783,148.03	105,562,378.66
Payroll payable	335,576,560.36	325,998,210.17
Taxes payable	25,051,630.06	43,556,823.75
Other payables	104,982,189.40	215,946,987.68
Including: Interest payable		3,068,841.54
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities	101,111,297.49	
Other current liabilities		
Total current liabilities	3,186,225,165.52	2,374,904,291.26
Non-current liabilities:		
Long-term borrowings	42,364,019.74	170,019,083.89

Long-term payables		
Long-term payroll payable	105,589,249.56	96,958,178.53
Provisions		
Deferred income	157,668,211.41	140,183,446.39
Deferred income tax liabilities	92,440,358.41	28,030,096.38
Other non-current liabilities	1,840,000.00	1,840,000.00
Total non-current liabilities	399,901,839.12	437,030,805.19
Total liabilities	3,586,127,004.64	2,811,935,096.45
Owners' equity:		
Share capital	858,121,541.00	922,602,311.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	258,046,245.42	699,493,647.48
Less: Treasury stock		486,922,944.94
Other comprehensive income	91,626,571.75	61,157,013.37
Specific reserve		
Surplus reserves	1,117,267,351.63	1,022,717,451.40
General reserve		
Retained earnings	5,372,073,615.12	4,927,500,989.55
Total equity attributable to owners of the Company as the parent	7,697,135,324.92	7,146,548,467.86
Non-controlling interests	602,169,223.52	579,276,247.53
Total owners' equity	8,299,304,548.44	7,725,824,715.39
Total liabilities and owners' equity	11,885,431,553.08	10,537,759,811.84

Legal representative: Liu Zibin

Chief Accountant: Zhang Hongmei

Financial Manager: Zhang Keming

2. Balance Sheet of the Company as the Parent

Unit: RMB

Item	31 December 2019	31 December 2018
Current assets:		
Monetary assets	259,320,863.08	191,305,104.80

Held-for-trading financial assets	52,356,098.85	
Financial assets at fair value through profit or loss		
Notes receivable	67,898,885.35	91,555,248.34
Accounts receivable	417,599,518.08	316,225,973.28
Accounts receivable financing	2,675,090.00	
Prepayments	10,178,452.88	115,020,260.51
Other receivables	838,523,449.52	395,847,213.77
Including: Interest receivable		
Dividends receivable		
Inventories	1,280,620,296.02	1,040,433,078.53
Assets classified as held for sale		
Current portion of non-current assets		
Other current assets	5,780,635.28	12,671,631.64
Total current assets	2,934,953,289.06	2,163,058,510.87
Non-current assets:		
Investments in debt obligations		
Available-for-sale financial assets		73,112,000.00
Investments in other debt obligations		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	2,510,868,604.84	2,165,711,579.69
Investments in other equity instruments		
Other non-current financial assets	266,149,500.00	
Investment property	31,089,260.38	14,804,592.72
Fixed assets	2,603,258,003.94	2,731,726,695.28
Construction in progress	53,443,768.04	61,182,771.86
Productive living assets		
Intangible assets	235,277,114.25	242,204,032.54
Deferred income tax assets	60,974,304.57	52,758,961.05
Other non-current assets		6,047,443.10
Total non-current assets	5,761,060,556.02	5,347,548,076.24
Total assets	8,696,013,845.08	7,510,606,587.11
Current liabilities:		
Short-term borrowings	816,301,973.60	622,604,447.52

Held-for-trading financial liabilities		
Financial liabilities at fair value through profit or loss		4,877,600.00
Derivative financial liabilities		
Notes payable	602,741,973.76	120,000.00
Accounts payable	105,588,631.54	120,021,727.66
Advances from customers	53,418,950.04	49,798,551.14
Payroll payable	242,300,723.41	240,090,943.88
Taxes payable	11,995,830.49	30,914,089.32
Other payables	149,255,207.79	303,672,590.72
Including: Interest payable		2,475,549.88
Dividends payable	441,113.64	441,113.64
Current portion of non-current liabilities		
Other current liabilities		
Total current liabilities	1,981,603,290.63	1,372,099,950.24
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable	105,589,249.56	96,958,178.53
Provisions		
Deferred income	112,187,678.66	94,390,844.09
Deferred income tax liabilities	70,445,859.76	16,699,530.43
Other non-current liabilities		
Total non-current liabilities	288,222,787.98	208,048,553.05
Total liabilities	2,269,826,078.61	1,580,148,503.29
Owners' equity:		
Share capital	858,121,541.00	922,602,311.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserves	317,206,232.47	759,836,756.57
Less: Treasury stock		486,922,944.94

Other comprehensive income		520,200.00
Specific reserve		
Surplus reserves	1,114,158,611.99	1,019,608,711.76
Retained earnings	4,136,701,381.01	3,714,813,049.43
Total owners' equity	6,426,187,766.47	5,930,458,083.82
Total liabilities and owners' equity	8,696,013,845.08	7,510,606,587.11

3. Consolidated Income Statement

Unit: RMB

Item	2019	2018
1. Revenue	6,801,381,448.94	6,879,058,813.93
Including: Operating revenue	6,801,381,448.94	6,879,058,813.93
Interest income		
2. Costs and expenses	5,892,300,065.15	5,855,599,589.40
Including: Cost of sales	4,790,605,105.36	4,861,443,242.95
Taxes and surcharges	84,541,047.19	106,963,626.55
Selling expense	168,227,064.83	158,106,183.74
Administrative expense	436,171,656.30	390,911,763.27
R&D expense	316,575,474.85	289,395,092.58
Finance costs	96,179,716.62	48,779,680.31
Including: Interest expense	91,643,124.97	57,300,653.51
Interest income	10,146,938.67	17,925,826.14
Add: Other income	62,084,864.45	60,846,383.76
Return on investment ("-" for loss)	21,783,896.05	-60,273,275.04
Including: Share of profit or loss of joint ventures and associates	7,671,490.10	-1,518,268.37
Income from the derecognition of financial assets at amortized cost ("-" for loss)		
Foreign exchange gain ("-" for loss)		
Net gain on exposure hedges ("-" for loss)		
Gain on changes in fair value ("-" for loss)	241,537,682.90	-4,877,600.00

Credit impairment loss (“-” for loss)	-11,747,033.22	
Asset impairment loss (“-” for loss)	-91,316,988.81	-57,528,337.04
Asset disposal income (“-” for loss)	186,123.30	7,826,983.38
3. Operating profit (“-” for loss)	1,131,609,928.46	969,453,379.59
Add: Non-operating income	7,833,728.20	10,652,238.56
Less: Non-operating expense	11,939,226.65	10,598,854.65
4. Profit before tax (“-” for loss)	1,127,504,430.01	969,506,763.50
Less: Income tax expense	138,177,754.10	111,313,191.40
5. Net profit (“-” for net loss)	989,326,675.91	858,193,572.10
5.1 By operating continuity		
5.1.1 Net profit from continuing operations (“-” for net loss)	989,326,675.91	858,193,572.10
5.1.2 Net profit from discontinued operations (“-” for net loss)		
5.2 By ownership		
5.2.1 Net profit attributable to owners of the Company as the parent	952,386,011.49	811,526,477.83
5.2.1 Net profit attributable to non-controlling interests	36,940,664.42	46,667,094.27
6. Other comprehensive income, net of tax	30,989,758.38	44,346,439.15
Attributable to owners of the Company as the parent	30,989,758.38	44,346,439.15
6.2 Items that will be reclassified to profit or loss	30,989,758.38	44,346,439.15
6.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
6.2.2 Changes in the fair value of investments in other debt obligations		
6.2.3 Gain/Loss on changes in the fair value of available-for-sale financial assets		492,150.00
6.2.4 Other comprehensive income arising from the reclassification of financial assets		
6.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial		

assets		
6.2.6 Allowance for credit impairments in investments in other debt obligations		
6.2.7 Reserve for cash flow hedges		
6.2.8 Differences arising from the translation of foreign currency-denominated financial statements	30,989,758.38	43,854,289.15
6.2.9 Other		
Attributable to non-controlling interests		
7. Total comprehensive income	1,020,316,434.29	902,540,011.25
Attributable to owners of the Company as the parent	983,375,769.87	855,872,916.98
Attributable to non-controlling interests	36,940,664.42	46,667,094.27
8. Earnings per share		
8.1 Basic earnings per share	1.11	0.90
8.2 Diluted earnings per share	1.11	0.90

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 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

Unit: RMB

Item	2019	2018
1. Operating revenue	5,105,711,442.90	5,234,872,142.46
Less: Cost of sales	3,798,120,617.00	3,878,117,572.95
Taxes and surcharges	56,539,743.95	75,314,816.61
Selling expense	95,202,970.17	93,816,791.69
Administrative expense	260,145,884.34	240,621,922.89
R&D expense	219,891,715.24	202,174,766.82
Finance costs	31,122,463.38	22,580,855.82
Including: Interest expense	28,708,510.46	16,973,906.92

Interest income	2,861,783.48	4,042,869.20
Add: Other income	31,731,358.99	33,789,992.88
Return on investment (“-” for loss)	185,457,258.88	-25,036,851.77
Including: Share of profit or loss of joint ventures and associates	7,671,490.10	-1,518,268.37
Income from the derecognition of financial assets at amortized cost (“-” for loss)		
Net gain on exposure hedges (“-” for loss)		
Gain on changes in fair value (“-” for loss)	241,537,682.90	-4,877,600.00
Credit impairment loss (“-” for loss)	-7,710,573.04	
Asset impairment loss (“-” for loss)	-62,122,253.32	-35,087,426.51
Asset disposal income (“-” for loss)	11,362,991.28	-8,418,900.16
2. Operating profit (“-” for loss)	1,044,944,514.51	682,614,630.12
Add: Non-operating income	4,653,501.25	7,127,379.86
Less: Non-operating expense	6,099,201.01	6,778,974.37
3. Profit before tax (“-” for loss)	1,043,498,814.75	682,963,035.61
Less: Income tax expense	113,797,097.25	85,124,312.21
4. Net profit (“-” for net loss)	929,701,717.50	597,838,723.40
4.1 Net profit from continuing operations (“-” for net loss)	929,701,717.50	597,838,723.40
4.2 Net profit from discontinued operations (“-” for net loss)		
5. Other comprehensive income, net of tax		492,150.00
5.2 Items that will be reclassified to profit or loss		492,150.00
5.2.1 Other comprehensive income that will be reclassified to profit or loss under the equity method		
5.2.2 Changes in the fair value of investments in other debt obligations		
5.2.3 Gain/Loss on changes in the fair value of available-for-sale financial		492,150.00

assets		
5.2.4 Other comprehensive income arising from the reclassification of financial assets		
5.2.5 Gain/Loss arising from the reclassification of held-to-maturity investments to available-for-sale financial assets		
5.2.6 Allowance for credit impairments in investments in other debt obligations		
5.2.7 Reserve for cash flow hedges		
5.2.8 Differences arising from the translation of foreign currency-denominated financial statements		
5.2.9 Other		
6. Total comprehensive income	929,701,717.50	598,330,873.40

5. Consolidated Cash Flow Statement

Unit: RMB

Item	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	6,547,147,672.62	6,589,170,715.37
Tax rebates	207,866,504.29	200,637,812.52
Cash generated from other operating activities	115,518,461.97	110,420,123.41
Subtotal of cash generated from operating activities	6,870,532,638.88	6,900,228,651.30
Payments for commodities and services	3,661,102,468.51	3,361,829,445.15
Cash paid to and for employees	1,623,138,103.34	1,606,604,705.02
Taxes paid	261,999,883.37	248,475,301.28
Cash used in other operating activities	238,181,608.15	252,977,536.69
Subtotal of cash used in operating activities	5,784,422,063.37	5,469,886,988.14
Net cash generated from/used in operating activities	1,086,110,575.51	1,430,341,663.16

2. Cash flows from investing activities:		
Proceeds from disinvestment	60,000,000.00	50,000,000.00
Return on investment	4,875,806.53	6,069,367.03
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	3,260,418.11	32,483,391.91
Net proceeds from the disposal of subsidiaries and other business units		
Cash generated from other investing activities	22,644,079.03	27,272,692.86
Subtotal of cash generated from investing activities	90,780,303.67	115,825,451.80
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	789,961,925.00	928,794,291.04
Payments for investments	50,000,000.00	
Net increase in pledged loans granted		
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	38,875,330.97	73,597,959.70
Subtotal of cash used in investing activities	878,837,255.97	1,002,392,250.74
Net cash generated from/used in investing activities	-788,056,952.30	-886,566,798.94
3. Cash flows from financing activities:		
Capital contributions received	50,000,000.00	500,000.00
Including: Capital contributions by non-controlling interests to subsidiaries	50,000,000.00	500,000.00
Borrowings obtained	4,010,463,313.14	3,187,659,288.75
Cash generated from other financing activities	110,000,000.00	94,300,000.00
Subtotal of cash generated from financing activities	4,170,463,313.14	3,282,459,288.75
Repayments of borrowings	3,299,893,907.00	2,925,408,591.68
Payments for interest and dividends	573,047,333.34	518,987,542.25
Including: Dividends paid by subsidiaries to non-controlling interests	62,023,566.38	12,023,566.38
Cash used in other financing activities	248,284,104.03	524,987,535.17
Subtotal of cash used in financing	4,121,225,344.37	3,969,383,669.10

activities		
Net cash generated from/used in financing activities	49,237,968.77	-686,924,380.35
4. Effect of foreign exchange rate changes on cash and cash equivalents	-3,867,345.96	1,645,076.17
5. Net increase in cash and cash equivalents	343,424,246.02	-141,504,439.96
Add: Cash and cash equivalents, beginning of the period	535,134,772.90	676,639,212.86
6. Cash and cash equivalents, end of the period	878,559,018.92	535,134,772.90

6. Cash Flow Statement of the Company as the Parent

Unit: RMB

Item	2019	2018
1. Cash flows from operating activities:		
Proceeds from sale of commodities and rendering of services	4,952,756,297.43	5,055,067,711.94
Tax rebates	142,037,546.90	134,608,110.60
Cash generated from other operating activities	82,964,558.55	54,426,092.92
Subtotal of cash generated from operating activities	5,177,758,402.88	5,244,101,915.46
Payments for commodities and services	2,604,536,642.87	2,867,484,652.12
Cash paid to and for employees	1,050,596,751.37	1,115,678,459.19
Taxes paid	153,270,926.22	133,530,662.18
Cash used in other operating activities	147,379,613.59	156,477,992.20
Subtotal of cash used in operating activities	3,955,783,934.05	4,273,171,765.69
Net cash generated from/used in operating activities	1,221,974,468.83	970,930,149.77
2. Cash flows from investing activities:		
Proceeds from disinvestment	60,000,000.00	50,000,000.00
Return on investment	172,852,240.15	24,045,800.65
Net proceeds from the disposal of fixed assets, intangible assets and other long-lived assets	30,472,795.67	84,896,956.61
Net proceeds from the disposal of		

subsidiaries and other business units		
Cash generated from other investing activities	529,651,811.23	621,071,940.73
Subtotal of cash generated from investing activities	792,976,847.05	780,014,697.99
Payments for the acquisition of fixed assets, intangible assets and other long-lived assets	164,568,732.04	215,016,290.76
Payments for investments	403,072,200.00	350,736,500.00
Net payments for the acquisition of subsidiaries and other business units		
Cash used in other investing activities	921,445,294.40	537,403,361.43
Subtotal of cash used in investing activities	1,489,086,226.44	1,103,156,152.19
Net cash generated from/used in investing activities	-696,109,379.39	-323,141,454.20
3. Cash flows from financing activities:		
Capital contributions received		
Borrowings obtained	2,414,848,549.50	1,867,420,105.89
Cash generated from other financing activities	450,811,100.00	276,073,100.00
Subtotal of cash generated from financing activities	2,865,659,649.50	2,143,493,205.89
Repayments of borrowings	2,243,633,569.59	1,895,523,735.81
Payments for interest and dividends	464,408,760.74	479,201,499.77
Cash used in other financing activities	615,855,904.03	498,538,235.01
Subtotal of cash used in financing activities	3,323,898,234.36	2,873,263,470.59
Net cash generated from/used in financing activities	-458,238,584.86	-729,770,264.70
4. Effect of foreign exchange rate changes on cash and cash equivalents	389,253.70	5,476,844.15
5. Net increase in cash and cash equivalents	68,015,758.28	-76,504,724.98
Add: Cash and cash equivalents, beginning of the period	191,305,104.80	267,809,829.78
6. Cash and cash equivalents, end of the period	259,320,863.08	191,305,104.80

7. Consolidated Statements of Changes in Owners' Equity

2019

Unit: RMB

Item	2019														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Preferred shares	Perpetual bonds	Other		Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
1. Balances as at the end of the prior year	922,602,311.00				699,493,647.48	486,922,944.94	61,157,013.37		1,022,717,451.40		4,927,500,989.55		7,146,548,467.86	579,276,247.53	7,725,824,715.39
Add: Adjustments for changed accounting policies								-520,200.00	1,579,728.48		14,217,556.33		15,277,084.81		15,277,084.81
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															
2. Balances as at the beginning of the year	922,602,311.00				699,493,647.48	486,922,944.94	60,636,813.37		1,024,297,179.88		4,941,718,545.88		7,161,825,552.67	579,276,247.53	7,741,101,800.20
3. Increase/ decrease in the period ("-" for decrease)	-64,480,770.00				-441,447,402.06	-486,922,944.94	30,989,758.38		92,970,171.75		430,355,069.24		535,309,772.25	22,892,975.99	558,202,748.24
3.1 Total comprehensive income							30,989,758.38				952,386,011.49		983,375,769.87	36,940,664.41	1,020,316,434.28
3.2 Capital increased and reduced by owners	-64,480,770.00				-441,447,402.06	-486,922,944.94							-19,005,227.12	47,975,877.77	28,970,650.84

	00				2.06	4.94							96		
3.2.1 Ordinary shares increased by owners	-64,480,770.00				-442,861,264.14	-486,922,944.94							-20,419,089.20	49,389,695.10	28,970,605.90
3.2.2 Capital increased by holders of other equity instruments															
3.2.3 Share-based payments included in owners' equity															
3.2.4 Other					1,413,862.08								1,413,862.08	-1,413,817.14	44.94
3.3 Profit distribution								92,970,171.75		-522,030,942.25			-429,060,770.50	-62,023,566.38	-491,084,336.88
3.3.1 Appropriation to surplus reserves								92,970,171.75		-92,970,171.75					
3.3.2 Appropriation to general reserve															
3.3.3 Appropriation to owners (or shareholders)										-429,060,770.50			-429,060,770.50	-62,023,566.38	-491,084,336.88
3.3.4 Other															
3.4 Transfers within owners' equity															
3.4.1 Increase in capital (or share capital) from capital reserves															
3.4.2 Increase in capital (or share capital) from surplus reserves															
3.4.3 Loss offset by surplus reserves															
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings															

3.4.5 Other comprehensive income transferred to retained earnings																
3.4.6 Other																
3.5 Specific reserve																
3.5.1 Increase in the period																
3.5.2 Used in the period																
3.6 Other																
4. Balances as at the end of the period	858,121,541.00				258,046,245.42		91,626,571.75		1,117,267,351.63		5,372,073,615.12		7,697,135,324.92	602,169,223.52	8,299,304,548.44	

2018

Unit: RMB

Item	2018														
	Equity attributable to owners of the Company as the parent													Non-controlling interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	General reserve	Retained earnings	Other	Subtotal		
	Preferred shares	Perpetual bonds	Other												
1. Balances as at the end of the prior year	922,602,311.00				699,493,593.82		16,810,574.22		962,933,579.06		4,629,102,712.06		7,230,942,770.16	544,132,719.64	7,775,075,489.80
Add: Adjustments for changed accounting policies															
Adjustments for corrections of previous errors															
Adjustments for business combinations under common control															
Other adjustments															

2. Balances as at the beginning of the year	922,602,311.00				699,493,593.82	16,810,574.22	962,933,579.06	4,629,102,712.06	7,230,942,770.16	544,132,719.64	7,775,075,489.80	
3. Increase/ decrease in the period (“-” for decrease)					53.66	486,922,944.94	44,346,439.15	59,783,872.34	298,398,277.49	-84,394,302.30	35,143,527.89	-49,250,774.41
3.1 Total comprehensive income						44,346,439.15		811,526,477.83	855,872,916.98	46,667,094.27	902,540,011.25	
3.2 Capital increased and reduced by owners					53.66	486,922,944.94			-486,922,891.28	500,000.00	-486,422,891.28	
3.2.1 Ordinary shares increased by owners						486,922,944.94			-486,922,944.94	500,000.00	-486,422,944.94	
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other					53.66				53.66		53.66	
3.3 Profit distribution							59,783,872.34	-513,128,200.34	-453,344,328.00	-12,023,566.38	-465,367,894.38	
3.3.1 Appropriation to surplus reserves							59,783,872.34	-59,783,872.34	0.00			
3.3.2 Appropriation to general reserve												
3.3.3 Appropriation to owners (or shareholders)								-453,344,328.00	-453,344,328.00	-12,023,566.38	-465,367,894.38	
3.3.4 Other												
3.4 Transfers within owners’ equity												
3.4.1 Increase in capital (or share capital) from capital reserves												

policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	922,602,311.00				759,836,756.57	486,922,944.94			1,021,188,440.24	3,729,030,605.76		5,945,735,168.63
3. Increase/ decrease in the period (“-” for decrease)	-64,480,770.00				-442,630,524.10	-486,922,944.94			92,970,171.75	407,670,775.25		480,452,597.84
3.1 Total comprehensive income										929,701,717.50		929,701,717.50
3.2 Capital increased and reduced by owners	-64,480,770.00				-442,630,524.10	-486,922,944.94						-20,188,349.16
3.2.1 Ordinary shares increased by owners	-64,480,770.00				-442,630,569.04	-486,922,944.94						-20,188,394.10
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners’ equity												
3.2.4 Other					44.94							44.94
3.3 Profit distribution									92,970,171.75	-522,030,942.25		-429,060,770.50
3.3.1 Appropriation to surplus reserves									92,970,171.75	-92,970,171.75		
3.3.2 Appropriation to owners (or shareholders)										-429,060,770.50		-429,060,770.50
3.3.3 Other												
3.4 Transfers within owners’ equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												

3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												
3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	858,121,541.00				317,206,232.47				1,114,158,611.99	4,136,701,381.01		6,426,187,766.47

2018

Unit: RMB

Item	2018											
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Specific reserve	Surplus reserves	Retained earnings	Other	Total owners' equity
		Preferred shares	Perpetual bonds	Other								
1. Balances as at the end of the prior year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37		6,272,394,429.70
Add: Adjustments for changed accounting policies												
Adjustments for corrections of previous errors												
Other adjustments												
2. Balances as at the beginning of the year	922,602,311.00				759,836,702.91		28,050.00		959,824,839.42	3,630,102,526.37		6,272,394,429.70
3. Increase/ decrease in the period ("-" for decrease)					53.66	486,922,944.94	492,150.00		59,783,872.34	84,710,523.06		-341,936,345.88

3.1 Total comprehensive income							492,150.00			597,838,723.40		598,330,873.40
3.2 Capital increased and reduced by owners					53.66	486,922,944.94						-486,922,891.28
3.2.1 Ordinary shares increased by owners						486,922,944.94						-486,922,944.94
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Share-based payments included in owners' equity												
3.2.4 Other					53.66							53.66
3.3 Profit distribution									59,783,872.34	-513,128,200.34		-453,344,328.00
3.3.1 Appropriation to surplus reserves									59,783,872.34	-59,783,872.34		
3.3.2 Appropriation to owners (or shareholders)										-453,344,328.00		-453,344,328.00
3.3.3 Other												
3.4 Transfers within owners' equity												
3.4.1 Increase in capital (or share capital) from capital reserves												
3.4.2 Increase in capital (or share capital) from surplus reserves												
3.4.3 Loss offset by surplus reserves												
3.4.4 Changes in defined benefit pension schemes transferred to retained earnings												
3.4.5 Other comprehensive income transferred to retained earnings												
3.4.6 Other												
3.5 Specific reserve												
3.5.1 Increase in the period												

3.5.2 Used in the period												
3.6 Other												
4. Balances as at the end of the period	922,602,311.00				759,836,756.57	486,922,944.94	520,200.00		1,019,608,711.76	3,714,813,049.43		5,930,458,083.82

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 3 February 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 19 August 1997 with B-shares stock code of 200726. On 24 November 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 25 December 2000 with A-shares stock code of 000726 through approval by Shenzhen Stock Exchange with No. (2000) 162 Listing Notice.

As approved by 2000 Annual 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 Annual 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 Annual General Meeting in May 2003, the Company implemented the distribution plan that 10 shares of capital public reserve are 2 more shares for each 10 shares, and inner employees’ shared increased to 40.56 million shares. As examined and approved by ZJGSZ No. [2000] 199 of CSRC, the inner employees’ shares will start circulation 3 years later since listing on the A-share market. On 25 December 2003, the inner employees’ shares reach 3 years since listing on the A-share stock market, and they set out circulation on 26 December 2003.

As approved by the Annual 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 December 2008.

According to the relevant resolution of the 2nd Special Extraordinary General Meeting of 2011, the relevant resolution of the 15th Meeting 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 August 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 June 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 the 6th Board of Directors on 27 March 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 Meeting of the 7th Board of Directors on 11 June 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.

As per the Proposal on Buy-back of Some A- and B-shares considered and approved as a resolution at the 1st special meeting of shareholders on 5 August 2015, the Company repurchased 33,156,200 domestically listed foreign shares (B-shares).

As per the Proposal on Buy-back of Some B-shares considered and approved as a resolution at the 2nd Extraordinary General Meeting on 23 March 2018, the Company repurchased 64,480,800 domestically listed foreign shares (B-shares)

As of 31 December 2019, the registered capital of the Company was RMB858,121,500.

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

The Company's unified social credit code: 91370300613281175K

The Company's legal representative: Liu Zibin

The Company establishes the corporate governance structure consisting of the shareholders meeting, the Board of Directors and the Supervisory Committee. At present, the Company has set up various departments including the production department, the quality management department, the yarn BD, the weaving and dyeing BD, the fabric finishing BD, the clothing manufacturing department, the clothing manufacturing BD, the clothing marketing department, the global marketing department, the enterprise management department, the financial department, the design & development department and the strategy and market department etc..

The scope of business of the Company and its subsidiaries (hereinafter referred to as "the Group") shall include: the design, R&D, production and sales of various textiles and garments including yarns, fabrics, blouses/shirts, suits and coats etc.; the textiles and clothing testing; the technical development, service and consultation based on the e-commerce platform; the processing and sales of mechanical and electrical products; the procurement of agricultural products; hotel, restaurant, catering, conference and training services; the lease of self-owned premises and lands; the non-quota license management; the procurement and sales of non-exclusive goods.

The Company's financial statements and Notes thereof have been approved for issue by the 13th Meeting of the 9th Board of Directors held on 28 April 2020.

There were 18 subsidiaries included into the consolidation scope of the Company in 2019, and for the details, please refer to Notes IX. "Equities among Other Entities" and Notes VIII. "Changes in Consolidation Scope".

IV Basis for Preparation of Financial Statements

1. Preparation Basis

This financial statement is prepared in accordance with the accounting standards for business enterprises, and the application guide, interpretation and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises") issued by the Ministry of Finance. In addition, the Group also disclosed relevant financial information in accordance with the Regulations on Information Disclosure and Compilation for Companies Public Offering Securities No. 15-General Provisions on Financial Report (revised in 2014) issued by China Securities Regulatory Commission.

The Group's accounting is based on the accrual basis. Except for certain financial instruments, this financial statement is measured on the basis of historical cost. If the asset is impaired, the corresponding impairment provision shall be made in accordance with relevant regulations.

2. Going-concern

The financial statements are presented on the basis of continuing operations.

V. Significant Accounting Policies and Estimates

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

This financial statement complies with the requirements of the Accounting Standards for Business Enterprises and truly and completely reflects the Company's and consolidated financial status as of 31 December 2019 as well as the Company's and consolidated operating results for 2019 and the Company's and consolidated cash flow and other relevant information.

2. Fiscal Year

The Company's fiscal year starts on 1 January and ends on 31 December of every year according to the Gregorian calendar.

3. Operating Cycle

The Group regards 12 months as an operating cycle

4. Recording Currency

The Company and its domestic subsidiaries adopt RMB as the recording currency. The Company's overseas subsidiaries confirm to adopt HK Dollar and US Dollar as the recording currency according their major economic environment of the operating. When preparing the financial statements for the Reporting Period, the Group adopted RMB as the recording currency.

5. Accounting Treatment for Business Combinations under the Common Control and Not under the Common Control

(1) Business combinations under the same control

For business combinations under the same control, the assets and liabilities of the merged party acquired by the merger party in the merger, except for adjustments due to different accounting policies, shall be measured at the carrying value of the merged party in the consolidated financial statement of the final controller on the combination date. As for the difference between the carrying value of the merger consideration and carrying value of the net assets obtained in the merger, the capital reserve (capital stock premium) shall be adjusted, and if the capital reserve (capital stock premium) is insufficient to offset, the retained earnings shall be adjusted.

(2) Business combinations not under the same control

For a business combination not under the same control, the cost of the combination is the assets paid, liabilities incurred or assumed, and the fair value of the equity securities issued on the acquisition date to obtain control over the purchased party. On the purchase date, the acquired assets, liabilities and contingent liabilities of the purchased party are recognized at fair value.

The difference between the merger cost and the fair value of the identifiable net assets of the acquired party acquired in the merger (the former is greater than the latter) is recognized as goodwill, and subsequent measurement is made based on the cost deducting the accumulated impairment provision; the difference between the merger cost and the fair value of the identifiable net assets of the acquired party acquired in the merger (the former is less than the latter) shall be recorded into the current profit or loss after the recheck.

(3) Treatment of transaction costs in business combinations

Intermediary expenses such as auditing, legal services, evaluation and consulting and other related management expenses incurred for the business combination shall be included in the current profit and loss when incurred. The transaction costs of equity securities or debt securities issued as the merger consideration shall be included in the initial recognition amount of equity securities or debt

securities.

6. Preparation of the Consolidated Financial Statements

(1) Consolidation scope

The consolidation scope of the consolidated financial statements is determined on the basis of control. Control means that the Company has the power over the invested unit, enjoys variable returns by participating in the related activities of the invested unit, and has the ability to use the power over the invested unit to influence the amount of its return. Subsidiaries refer to the entities controlled by the Company (including enterprises, divisible parts of invested entities, structured entities, etc.).

(2) Preparation method of consolidated financial statements

The consolidated financial statements are prepared by the Company based on the financial statements of the Company and its subsidiaries and other relevant materials. When preparing the consolidated financial statements, the accounting policies and accounting fiscal of the Company and those of subsidiaries shall be consistent and the large transactions and intercourse balance among companies shall be offset.

Subsidiaries and businesses increased due to business combinations under the same control during the Reporting Period shall be included into the Company's combination scope since the date when they are jointly controlled by the final controller, and the operating result and cash flow since then shall be respectively included into the consolidated income statement and consolidated cash flow statement.

As for subsidiaries and businesses increase due to business combinations not under the same control during the Reporting Period, the revenue, expenses and profit or those subsidiaries and businesses from the purchase date to the end of the Reporting Period shall be included into the consolidated income statement and the cash flow thereof shall be included into the consolidated cash flow statement.

The share of shareholders' equity in subsidiaries not belonging to the Company shall be regarded as the minority interests and separately listed under the item of shareholders' equity in the consolidated balance sheet. The share of current portion of net profit or loss in subsidiaries belonging to minority interests shall presented as the item of minority interests under the item of net profit in the consolidated income statement. The difference between the losses of subsidiaries born by not-controlling shareholders and the share of the company's owners' equity at the period-beginning the not-controlling shareholders enjoy (the former is larger than the latter) shall be offset the minority interests.

(3) Purchase of minority shareholders' equity of subsidiaries

As for the difference between the cost of a long-term equity investment newly acquired due to the purchase of the minority shares and the share of net assets of the subsidiary continuously accounted from the purchase date or combination date the Company shall enjoy based on the new shareholding ratio and the difference between the disposal price of partial equity investments in the subsidiary under the premise of remaining the control power and the share of net assets of the subsidiary continuously accounted from the purchase date or combination date the Company shall enjoy and corresponding to the disposal of long-term equity investments, the capital reserve (capital stock premium) in the consolidated balance sheet shall be adjusted and when the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

(4) Treatment of loss of control over subsidiaries

If the control over the original subsidiary is lost due to the disposal of partial equity investments or other reasons, the residual equity shall be remeasured at the fair value on the date of losing the control power; the balance of the sum of the consideration obtained from equity disposal and the fair value of residual equity after deducting the sum of the share of the carrying value of net assets in the original subsidiary continuously accounted from the purchase date the Company shall enjoy based on the original shareholding ratio and the goodwill shall be recorded into the investment income of the period when the control power is lost.

The other comprehensive income related to the equity investments in the original subsidiary shall be transferred to the current profit or loss when the control power is lost except for the other comprehensive income arising from changes in net liabilities or net assets

due to the remeasurement of defined benefit plan by the investee.

7. Confirmation Standard for Cash and Cash Equivalent

The term “cash” refers to cash on hand and deposits that are available for payment at any time. Cash equivalents refer to investments held by the Group that are short-term, highly liquid, easily convertible into known amounts of cash, and have little risk of change in value.

8. Foreign Currency Businesses and Translation of Foreign Currency Financial Statements

(1) Foreign currency business

The Group's foreign currency business is translated into the amount of the recording currency at the spot exchange rate on the transaction date.

On the balance sheet date, foreign currency monetary items are 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 the previous balance sheet date is included in the current profit and loss; for foreign currency non-monetary items measured at historical cost, the translation adopts the spot exchange rate on the day the transaction occurs; for foreign currency non-monetary items measured at fair value, the translation adopts the spot exchange rate on the day when the fair value is confirmed, and the difference between the amount of recording currency and the amount of original recording currency shall be included into the current profit or loss.

(2) Conversion of foreign currency financial statements

When converting the foreign currency financial statements of overseas subsidiaries on the balance sheet date, the assets and liabilities items in the balance sheet shall be converted at the spot exchange rate on the balance sheet date. Other items of shareholders' equity except for "undistributed profits" shall be converted at the spot exchange rate on the occurrence date.

Income and expense items in the income statement shall be converted using the current average exchange rate on the transaction date. All items in the cash flow statement are converted according to the current average exchange rate on the occurrence date of cash flow. The impact of exchange rate changes on cash is taken as a reconciling item, and the item "impact of exchange rate changes on cash and cash equivalents" is separately listed in the cash flow statement to reflect.

The difference arising from the conversion of financial statements is reflected in the "other comprehensive income" under the shareholders' equity in the balance sheet.

When disposing of the overseas operation and losing control rights, the foreign currency statement conversion difference related to the overseas operation shown under the shareholders' equity in the balance sheet shall be transferred to current profit and loss of disposal in whole or in proportion to the disposal of overseas operation.

9. Financial Instruments

Financial instruments refer to contracts that form one party's financial assets and form other parties' financial liabilities or equity instruments.

(1) Recognition and derecognition of financial instruments

The Company recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract.

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 meet the following derecognition conditions for transfer of financial assets.

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.

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.

(2) Classification and measurement of financial assets

The Group classifies financial assets into the following three categories according to the business mode of managing financial assets and the contractual cash flow characteristics of financial assets upon initial recognition: financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in current profit and loss.

Financial assets measured at amortized cost

The Group classifies financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are included in current profit and loss as financial assets measured at amortized cost:

The Group's business model for managing this financial asset is aimed at collecting contractual cash flow;

The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

Such financial assets are measured in amortized cost by the effective interest method after initial recognition. Gains or losses arising from financial assets measured in amortized cost that are not part of any hedging relationship are included in current profit and loss when derecognition, amortization according to the effective interest method, or impairment is recognized.

Financial assets measured at fair value and whose changes are included in other comprehensive income

The Group classifies financial assets that meet the following conditions and are not designated to be measured at fair value and whose changes are included in current profit and loss as financial assets measured at fair value and whose changes are included in other comprehensive income:

The Group's business model for managing this financial asset is aimed at both collecting the contractual cash flow and selling this financial asset;

The contractual terms of this financial asset stipulate that the cash flow generated on the specific date is only the payment of principal and interest based on the principal amount outstanding.

Such financial assets are subsequently measured at fair value after initial recognition. Interest, impairment losses or gains and exchange gains and losses calculated by the effective interest method are included in current profit and loss, while other gains or losses are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in current profit and loss.

Financial assets measured at fair value and whose changes are included in current profit and loss

Except for the above financial assets measured at amortized cost and at fair value with changes included in other comprehensive income, the Group classifies all other financial assets as financial assets measured at fair value with changes included in current profit and loss. Upon initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group irrevocably designates some financial assets that should have been measured at amortized cost or at fair value and whose changes are included in other comprehensive income as financial assets measured at fair value and whose changes are included in current profit and loss.

Such financial assets are subsequently measured at fair value after initial recognition, and the resulting gains or losses (including interest and dividend income) are included in current profit and loss unless the financial assets are part of the hedging relationship.

The business model of managing financial assets refers to how the Group manages financial assets to generate cash flow. The business model determines whether the cash flow of the financial assets managed by the Group comes from the collection of contractual cash flow, the sale of financial assets or both. The Group determines the business model for managing financial assets on

the basis of objective facts and specific business objectives decided by key management personnel to manage financial assets.

The Group evaluates the contractual cash flow characteristics of financial assets to determine whether the contractual cash flow generated by the relevant financial assets on the specific date is only the payment of principal and interest based on the principal amount outstanding. Among them, the principal refers to the fair value of financial assets upon initial recognition; interest includes consideration for the time value of money, credit risks related to the principal amount outstanding in the specific period, and other basic lending risks, costs and profits. In addition, the Group evaluates the contract terms that may lead to changes in the time distribution or amount of contractual cash flow of financial assets to determine whether they meet the requirements of the above-mentioned contractual cash flow characteristics.

Only when the Group changes the business mode of managing financial assets will all affected related financial assets be reclassified on the first day of the first reporting period after business model changes, otherwise financial assets cannot be reclassified after initial recognition.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value and whose changes are included in current profit and loss, relevant transaction expenses are directly included in current profit and loss; for other types of financial assets, relevant transaction expenses are included in the initial recognition amount. For accounts receivable arising from the sale of products or the provision of labor services, which do not include or do not consider significant financing components, the amount of consideration the Group is expected to be entitled to receive is taken as the initial recognition amount.

(3) Classification and measurement of financial liabilities

The Group's financial liabilities are classified upon initial recognition as: financial liabilities measured at fair value and whose changes are included in current profit and loss, and financial liabilities measured at amortized cost. For financial liabilities that are not classified as measured at fair value and whose changes are included in current profit and loss, relevant transaction costs are included in the initial recognition amount.

Financial liabilities measured at fair value and whose changes are included in current profit and loss

Financial liabilities measured at fair value and whose changes are included in current profit and loss include transactional financial liabilities and financial liabilities designated as measured at fair value upon initial recognition and whose changes are included in current profit and loss. Subsequent measurement shall be carried out according to fair value for such financial liabilities. Gains or losses resulting from changes in fair value and dividends and interest expenses related to such financial liabilities shall be included in current profit and loss.

Financial liabilities measured at amortized cost

Other financial liabilities are subsequently measured at amortized cost by using the effective interest method. Gains or losses resulting from derecognition or amortization are included in current profit and loss.

Distinction between financial liabilities and equity instruments

Financial liabilities refer to liabilities that meet one of the following conditions:

- ① The contractual obligation to deliver cash or other financial assets to other parties.
- ② The contractual obligation to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions.
- ③ Non-derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, and the enterprise will deliver a variable number of its own equity instruments according to the contract.
- ④ Derivative contracts that must be or can be settled with the enterprise's own equity instruments in the future, except derivatives contracts that exchange a fixed amount of cash or other financial assets with a fixed amount of its own equity instruments.

Equity instruments refer to contracts that can prove that an enterprise has the residual equity in its assets after deducting all liabilities.

If the Group cannot unconditionally avoid performing a contractual obligation by delivering cash or other financial assets, the contractual obligation meets the definition of financial liability.

If a financial instrument must be or can be settled with the Group's own equity instruments, it is necessary to consider whether the Group's own equity instruments used to settle the instrument are used as substitutes for cash or other financial assets or to enable the holder of this instrument to enjoy the residual equity in the assets after deducting all liabilities from the issuer. If it is the former, this instrument is the Group's financial liability; if the latter is the case, this instrument is the Group's equity instrument.

(4) Derivative financial instruments and embedded derivatives

The Group's derivative financial instruments include forward foreign exchange contracts. Initially, the fair value on the date when the derivative transaction contract is signed shall be used for measurement, and the fair value shall be used for subsequent measurement. Derivative financial instruments with positive fair value are recognized as an asset, while those with negative fair value are indeed recognized as a liability. Any gains or losses arising from changes in fair value that do not conform to the provisions of hedge accounting are directly included in current profit and loss.

For hybrid instruments containing embedded derivatives, such as the main contract is a financial asset, the relevant provisions on classification of financial assets shall apply to the hybrid instruments as a whole. If the main contract is not a financial asset, and the hybrid instrument is not measured at fair value and its changes are included in current profit and loss for accounting treatment, the embedded derivative instrument has no close relationship with the main contract in terms of economic characteristics and risks, and has the same conditions as the embedded derivative instrument, and the separate existing instrument meets the definition of derivative instrument, the embedded derivative instrument shall be separated from the hybrid instrument and treated as a separate derivative financial instrument. If it is not possible to separately measure embedded derivative instruments at the time of acquisition or the subsequent balance sheet date, the hybrid instruments as a whole are designated as financial assets or financial liabilities measured at fair value and their changes are included in current profit and loss.

(5) Fair value of financial instruments

See Note V (10) for the method of determining the fair value of financial assets and liabilities.

(6) Impairment of financial assets

The Group conducts impairment accounting treatment for the following items and confirms the loss provision based on the expected credit losses:

Financial assets measured at amortized cost;

Receivables and creditors' investments measured at fair value and whose changes are included in other comprehensive income;

Lease receivables;

Financial guarantee contracts (except those that are measured at fair value and whose changes are included in current profit and loss, the transfer of financial assets does not meet the conditions for derecognition or continue to involve in the transferred financial assets).

Measurement of expected credit loss

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable according to the contract and all cash flows expected to be collected of the Group, i.e. the present value of all cash shortfalls.

Considering the reasonable and reliable information about past events, current situation and the forecast of future economic situation, the company takes the risk of default as the weight, calculates the probability weighted amount of the present value of the difference between the cash flow receivable from the contract and the cash flow expected to be received, and confirms the expected credit loss.

The Group separately measures the expected credit losses of financial instruments at different stages. If the credit risk of financial instruments has not increased significantly since the initial recognition, it is in the first stage. The Group measures the loss reserve according to the expected credit loss in the next 12 months; if the credit risk of financial instruments has increased significantly since its initial recognition but no credit impairment has occurred, it is in the second stage. The Group measures the loss reserve according to the expected credit loss during the whole duration of this instrument; if the financial instrument has suffered credit impairment

since its initial recognition, it is in the third stage. The Group measures the loss reserve according to the expected credit loss during the whole duration of this instrument.

For financial instruments with low credit risk on the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition, and measures the loss reserve according to the expected credit loss in the next 12 months.

The expected credit loss during the whole duration refers to the expected credit loss caused by all possible default events during the whole expected duration of financial instruments. The expected credit loss in the next 12 months refers to the expected credit loss caused by the possible default events of financial instruments within 12 months (or the expected duration if the expected duration of financial instruments is less than 12 months) after the balance sheet date, which is part of the expected credit loss in the whole duration.

When measuring the expected credit loss, the longest term that the Group needs to consider is the longest contract term that the enterprise faces credit risk (including the option to renew the contract).

The Group calculates interest income based on the book balance before deducting impairment provisions and the effective interest rate for financial instruments in the first and second stages and with low credit risk. The interest income shall be calculated according to their book balance minus the amortized cost after impairment provision and the effective interest rate for financial instruments in the third stage.

The Group always measures its loss reserves at an amount equivalent to the expected credit loss during the entire duration for notes receivable and accounts receivable, regardless of whether there is any significant financing component.

If a single financial asset cannot be used to evaluate the expected credit loss information at a reasonable cost, the Group will divide the notes receivable and accounts receivable into portfolio on the basis of the credit risk features, and calculate the expected credit loss based on the portfolio. The basis for determining the portfolio is as follows:

A. Notes receivable

- Notes receivable portfolio 1: bank acceptance bills and L/C
- Notes receivable portfolio 2: commercial acceptance bills

B. Accounts receivable

- Accounts receivable portfolio 1: payment not overdue (with credit insurance)
- Accounts receivable portfolio 2: payment not overdue (without credit insurance)
- Accounts receivable portfolio 3: payment overdue (with credit insurance)
- Accounts receivable portfolio 4: payment overdue (without credit insurance)

For notes receivable divided into portfolios, with reference to historical credit loss experience, combined with current conditions and predictions of future economic conditions, the Group has calculated expected credit losses through default risk exposure and expected credit loss rate for the entire duration.

For accounts receivable divided into portfolios, with reference to historical credit loss experience, combined with current conditions and predictions of future economic conditions, the Group has prepared a comparison table between the number of overdue days of accounts receivable and the expected credit loss rate over the entire duration, and has calculated the expected credit loss.

Other receivables

The Group divides other receivables into several portfolios based on the features of credit risk, and calculates the expected credit losses on the basis of the combination. The basis for determining the portfolio is as follows:

Other receivables portfolio 1: Receivables from related parties within the scope of consolidation

Other receivables portfolio 2: Tax refund receivable

Other receivables portfolio 3: Deposit receivable and security deposit

Other receivables portfolio 4: other accounts

For other receivables that are divided into portfolios, the Group calculates the expected credit loss with the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

Long-term receivables

The long-term receivables of the Group include finance lease receivables and long-term advance receivables.

Based on credit risk characteristics, the Group divides long-term receivables into portfolios of finance lease receivables and other long-term receivables, calculates expected credit losses based on the portfolio. The basis for determining the portfolio is as follows:

A. Finance lease receivable portfolio: finance lease receivable

B. Other long-term receivables: prepaid receivables

For the financial lease receivables, the with reference to the historical credit loss experience, in combination with the current situation and the prediction of the future economic situation, the Group calculates the expected credit loss with the default risk exposure and the expected credit loss rate for the entire duration.

Others, except finance lease receivables, are divided into portfolio long-term receivables; the Group calculates expected credit losses with default risk exposure and expected credit loss rate within the next 12 months or the entire duration.

Creditors' investment and other creditors' investment

For creditors' investment and other creditors' investment, the Group calculates the expected credit based on the nature of the investment, as well as kinds of types of counterparties and risk exposures, the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration loss.

Assessment on significant increase of credit risk

In order to determine the relative changes in the default risk of financial instruments during their expected life and to assess whether the credit risk of financial instruments has increased significantly since initial recognition, the Group compares the default risk of financial instruments on the balance sheet date with the default risk on the initial recognition date.

When determining whether the credit risk has risen greatly since the initial recognition, the Group considers reasonable and reliable information (forward-looking information inclusive) that can be obtained without unnecessary extra costs or efforts. The information the Group considers shall include:

The debtor fails to pay the principal and interest according to the contract expiration date;

The external or internal credit ratings (if any) of financial instruments, which have occurred or are expected, deteriorate significantly;

The debtor's operating results, which have occurred or are expected, deteriorate significantly;

Existing or expected changes in technology, market, economy or legal environment will lead to a great adverse effect on the debtor's ability to repay the Group.

Based on the nature of financial instruments, the Group assesses whether there is great risk in credit risk on the basis of individual financial instruments or financial instrument portfolios. During assessment based on financial instrument portfolios, the Group can divide financial instruments on the basis of common credit risk characteristics, such as overdue information and credit risk ratings.

In case that the period overdue exceeds 30 days, the Group determines that there is a significant increase in the credit risk of financial instruments.

Financial assets with depreciation of credit

The Group assesses, on the balance sheet date, whether there is any credit impairment to financial assets measured at amortized cost and creditors' investment measured at fair value and whose changes are included in other comprehensive income. In case of one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset will become financial assets with depreciation of credit. The observable information below can be treated as evidence for credit impairment to financial assets:

The issuer or debtor is caught in a serious financial difficulty;

The debtor breaches the agreement of contract, such as default or overdue payment of interest or principal, or other default;

Due to economic or contractual considerations related to the debtor's financial difficulties, the Group gives concessions to the debtor; and the concessions will not be made under any other circumstances;

There lies a great probability of bankruptcy or other financial restructuring for the debtor;

The issuer or debtor is caught in financial difficulties, which leads to the disappearance of the active market of the financial asset;

Presentation of expected credit loss provision

The Group remeasures expected credit losses on each balance sheet date to reflect the changes in the credit risk of financial instruments since initial recognition; the increase or reversal amount of the loss reserve formed therefrom shall be included in the current profit and loss as impairment losses or gains. For financial assets measured at amortized cost, the loss allowance offsets the carrying amount of the financial asset listed in the balance sheet; for creditors' investment that are measured at fair value and its changes are included in other comprehensive income, the Group recognizes its loss reserve in other comprehensive income and will not offset the carrying amount of the financial asset.

Write-offs

In case that the Group fails to reasonably expect the contract cash flow of the financial asset to be recovered in a full or partial scale, the book balance of the financial asset will be written off directly. Such write-downs may constitute the derecognition for related financial assets. This situation occurs frequently when the Group determines that the debtor does not have any assets or any source of income to generate sufficient cash flow to repay the amount that will be written off. However, in accordance with the procedures for recovering due payments of the Group, the written-off financial assets may still be affected by the execution activities.

In case that the financial asset written off is recovered later, it shall be included in the current profit and loss as the reversal of the impairment loss.

(7) Transfer of financial assets

The transfer of financial assets refers to the transfer or delivery of financial assets to another party (transferee) other than the issuer of the financial asset.

If the Group has transferred almost all the risks and rewards of the ownership of financial assets to the transferee, derecognize the financial asset; if it retains almost all the risks and rewards of the ownership of financial assets, the financial asset will not be derecognized.

If the Group has neither transferred nor retained almost all the risks and rewards of the ownership of financial assets, it shall be dealt with in the following situations: if the control of the financial asset is abandoned, the confirmation of the financial asset shall be terminated and the generated assets and liabilities shall be confirmed; If the financial assets are controlled, the relevant financial assets shall be recognized according to the extent of their continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

(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.

10. Measurement of Fair Value

Fair value refers to the price that market participants can receive from sales of a asset or shall pay for transfer of a liability in the orderly transaction that occurs on the measurement date.

The Group measures related assets or liabilities at fair value, assuming that the orderly transaction of selling assets or transferring liabilities is conducted in the main market of related assets or liabilities; if there is no main market, the Group assumes that the transaction is conducted in the most beneficial market. The main market (or the most favorable market) is the trading market that the

Group can enter on the measurement date. The Group uses the assumptions used by market participants to maximize their economic benefits when pricing the asset or liability.

For financial assets or financial liabilities with active markets, the Group uses the quotation in active markets to determine its fair value. If there is no active market for financial instruments, the Group uses valuation techniques to determine its fair value.

When measuring non-financial assets at fair value, the ability of market participants to best use the asset for generating economic benefits, or the ability to sell the asset to other market participants that can best use the asset to generate economic benefits shall be considered.

The Group adopts valuation techniques that are applicable in the current situation and have sufficient available data and other information to support it. Priority is given to using relevant observable input values. Only when observable input values are unavailable or are not feasible to obtain, the unobservable input values can be used.

For assets and liabilities measured or disclosed at fair value in the financial statements, the fair value hierarchy to which they belong is determined based on the lowest level input value that is important to the fair value measurement as a whole: the first level input value is the unadjusted quotation of the same assets or liabilities able to be obtained in an active market on the measurement date; the second level input value is the directly or indirectly observable input value of the relevant asset or liability except the first level input value; the third level input value is unobservable input value of related assets or liabilities.

On each balance sheet date, the Group reassessed the assets and liabilities continuously measured at fair value confirmed in the financial statements to determine whether there is a transition among levels of fair value measurement.

11. Inventory

(1) Classification

Inventories mainly include raw materials, work-in-progress, stock products, product processed on entrustment, consumptive biological assets and etc.

(2) Valuation method of inventories acquiring and issuing

Inventories shall be measured at actual cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other costs. Grey yarn, dyed yarn, and plus material shall be measured at first-in first-out method when acquired and delivered; other inventories shall be measured as per the weighted average method

(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 by the difference of the cost of individual item less its realizable value. 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 packing articles, should be amortized by one-off amortization method when consuming.

12. Long-term Equity Investments

Long-term equity investments include equity investments in subsidiaries, joint ventures and associated enterprises. The investee that

the Group is able to exert significant influence is an associated enterprise of the Group.

(1) Determination of initial investment cost

Long-term equity investment that forms a business combination: Long-term equity investment obtained by business combination under the same control, on the merger date, based on the book value share of the merged party's owners' equity in the final controller's consolidated financial statements as investment cost; The long-term equity investment acquired by a business combination shall be the investment cost of the long-term equity investment according to the cost of the combination.

For long-term equity investments obtained by other means: the long-term equity investment obtained by paying cash shall be the initial investment cost according to the actual purchase price; the long-term equity investment obtained by issuing equity securities shall be the initial investment cost of the fair value of the equity securities issued.

(2) Subsequent measurement and profit and loss confirmation method

Investment in subsidiaries is accounted for using the cost method unless the investment meets the conditions for holding for sale; investment in associates and joint ventures is accounted for using the equity method.

For long-term equity investments that are accounted for using the cost method, in addition to the cash dividends or profits that have been declared but not yet included in the actual payment or consideration included in the investment, the cash dividends or profits declared by the invested entity are recognized as investment income and recorded into the current profit and loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost is greater than the fair value share of the investee's identifiable net assets at the time of investment, the investment cost of the long-term equity investment is not adjusted; when the initial investment cost is less than the investment, the investee's If the fair value share of net assets is identified, the book value of the long-term equity investment is adjusted, and the difference is included in the current profit and loss of the investment.

When using the equity method of accounting, the investment income and other comprehensive income are recognized separately according to the share of net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared, and the book value of the long-term equity investment is adjusted at the same time; The distribution of profits or cash dividends should be calculated to reduce the book value of long-term equity investment; the investee's other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, adjust the book value of long-term equity investment and Included in capital reserves (other capital reserves). When confirming the share of the investee's net profit or loss, based on the fair value of the investee's identifiable assets at the time of investment, and in accordance with the Group's accounting policies and accounting period, the net profit of the investee Confirm after making adjustments.

If the additional investment and other reasons can exert significant influence on the investee or exercise joint control but do not constitute control, on the conversion date, the sum of the fair value of the original equity plus the additional investment cost will be used as the initial accounting for the equity method cost of investment. The difference between the fair value of the original equity on the conversion date and the book value, as well as the cumulative changes in fair value originally included in other comprehensive income, are transferred to the current profit and loss accounted for using the equity method.

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after the disposal shall be changed to the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments is performed, and the difference between fair value and book value is included in the current profit and loss. Other comprehensive income recognized by the original equity investment due to the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated; changes in other owners' equity related to the original equity investment Transfer to current profit and loss.

If the control of the invested unit is lost due to the disposal of part of the equity investment, if the remaining equity after the disposal can exercise joint control or exert significant influence on the invested unit, the equity method is used for accounting and the remaining equity is treated as When acquiring, the equity method is adopted for adjustment; if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, the accounting shall be changed according to the relevant provisions of "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments The

difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.

If the shareholding ratio of the company decreases due to the capital increase of other investors, thereby losing control but being able to exercise joint control or exert significant influence on the investee, the new shareholding ratio shall be used to confirm that the company should enjoy the capital increase of the investee. The difference between the increase in share and the increase in the share of net assets and the original book value of the long-term equity investment corresponding to the decrease in the proportion of the shareholding that should be carried forward are included in the current profit and loss; That is, adjustments are made using the equity method of accounting.

The unrealized internal transaction gains and losses that occur between the Group and associates and joint ventures are calculated according to the shareholding ratio and are attributed to the Group, and the investment gains and losses are recognized on the basis of offset. However, the unrealized internal transaction losses incurred by the Group and the investee are the impairment losses of the transferred assets and shall not be offset.

(3) Determine the basis for joint control and significant influence on the invested unit

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. When judging whether there is joint control, first determine whether all participants or a combination of participants collectively control the arrangement, and secondly determine whether the decision-making related activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If all participants or a group of participants must act in concert to determine the relevant activities of an arrangement, it is considered that all participants or a group of participants collectively control the arrangement; if there is a combination of two or more participants can collectively Controlling an arrangement does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested unit, but cannot control or jointly control the formulation of these policies with other parties. When determining whether it can exert significant influence on the invested unit, consider that the investor directly or indirectly holds the voting shares of the invested unit and the current executable potential voting rights held by the investor and other parties are assumed to be converted into the invested unit After the equity of the company, the impact includes the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

When the company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the invested unit, it is generally considered to have a significant impact on the invested unit, unless there is clear evidence that such circumstances cannot participate in the production and operation decisions of the invested unit, and does not have a significant impact; when the Group owns less than 20% (excluding) voting rights of the invested unit, it generally does not consider it to have a significant impact on the invested unit unless there is clear evidence that Under these circumstances, it can participate in the production and operation decisions of the invested unit and have a significant impact.

(4) Impairment test method and impairment provision method

For the investments in subsidiaries, associates and joint ventures, the method of accruing asset impairment is shown in the Note V-19.

13. Investment Property

Measurement model of investment real estate

Costing method measurement

Depreciation or amortization method

The investment real estate refers to the real estate gaining the rent or capital appreciation or both. It includes rented land use right, holding land use right to be transferred after the appreciation and rented building, etc.

The investment real estate is measured initially according to the cost and withdraw depreciation or amortization as regulations of

fixed assets or intangible assets.

The Company adopts the cost mode to conduct the subsequent measurement on the investment real estate, see the Note V-19 for the method of withdrawing asset impairment provision.

The difference between the disposal income of investment real estate sales, transfer, scrap or damage after deducting its book value and related taxes is included in the current profit and loss.

14. 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 reliably measured. The fixed assets of the Group are initially measured at the actual cost at the time of acquisition. Please refer to Note V.19 for the test method of impairment of fixed assets and the method of impairment provision.

(2) Depreciation Methods

Category of fixed assets	Method	Useful life	Salvage value	Annual depreciation
Housing and building	Average method of useful life	5-30	0-10	20.00-3.00
Machinery equipments	Average method of useful life	10-18	0-10	10.00-5.00
Transportation vehicle	Average method of useful life	5	0-10	20.00-18.00
Electronic equipments and others	Average method of useful life	5	0-10	20.00-18.00

(3) Recognition Basis, Pricing and Depreciation Method of Fixed Assets by Finance Lease

When the fixed assets leased by the Group meet one or more of the following criteria, it is recognized as fixed assets leased by financing: ① When the lease term expires, the ownership of the leased assets is transferred to the Group. ② The Group has the option to purchase leased assets, and the purchase price concluded is expected to be much lower than the fair value of the leased assets when the option is exercised, so it can be reasonably determined that the Group will exercise this option on the lease start date. ③ Even if the ownership of the asset is not transferred, the lease period accounts for most of the service life of the leased asset. ④ The present value of the Group's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date. ⑤ The leased assets are of a special nature and only the Group can use them without major renovation. The fixed assets leased under financial leases shall be the booked value at the lower of the fair value of the leased assets on the lease start date and the present value of the minimum lease payment. The minimum lease payment is taken as the book value of long-term payables, and the difference is taken as unrecognized financing expenses. The initial direct costs such as handling fees, attorney's fees, travel expenses, and stamp taxes that occurred during the lease negotiation and signing of the lease contract are included in the value of the leased asset. Unrecognized financing expenses are allocated using the effective interest rate method in each period of the lease period. Financing leased fixed assets adopts the same policy as its own fixed assets to withdraw depreciation of leased assets. If

it can be reasonably determined that the ownership of the leased asset will be acquired at the end of the lease period, depreciation will be accrued within the useful life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset can be acquired at the end of the lease period, the depreciation shall be accrued in the shorter period between the lease period and the residual life of the leased asset.

(4) Other Notes

At the end of each year, review is carried out by the Group for the service life, estimated net residual value and depreciation method of fixed assets. If there is any difference between the expected service life and the original estimated service life, the service life of fixed assets will be adjusted; if there is any difference between the expected net residual value and the original estimated net residual value, the expected net residual value will be adjusted.

Major repair expenses incurred by the Group in the regular inspection of fixed assets are included in the cost of fixed assets if evidences show that they meet the recognition conditions of fixed assets, and those fail to meet the recognition conditions of fixed assets are included in the current profit and loss. Fixed assets at intervals of regular major repairs shall be depreciated as accrued.

15. 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 provision withdrawal method of the construction in progress to Notes V. 19.

16. Engineering Materials

Engineering materials of the Group refer to various materials prepared for projects under construction, including engineering materials, equipment not yet installed, tools and instruments prepared for production, etc.

The purchased engineering materials will be measured according to the cost. The received engineering materials will be transferred to the project under construction, and the remaining engineering materials after the completion of the project will be stored as inventory.

Please refer to Note V (19) for the method of provision for impairment of assets for engineering materials.

In the balance sheet, the ending balance of engineering materials is listed in the "project under construction" item.

17. Biological Assets

(1) Criteria for determination of biological assets

Biological assets refer to the assets composed of living animals and plants. It shall be recognized if biological assets meet the following conditions at the same time:

- ① The enterprise owns or controls the biological assets on account of past transactions or events;
- ② The economic benefits or service potential related to the biological assets are likely to flow into the enterprise;
- ③ The cost of the biological assets can be reliably measured.

(2) Classification of biological assets

The biological assets of the Group include consumptive biological assets and productive 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.

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 management, maintenance and feed cost, which incurred after the productive biological assets are closed or the expected production and operation purpose are achieved, will be included in the current profit and loss.

The depreciation of productive biological assets is calculated by the straight-line method. The depreciation rate is determined as follows after deducting the residual value based on the estimated service life of various biological assets:

Category	Service life (year)	Residuals rate %	Annual depreciation rate %
Stockbreeding			
① 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.

(3) Treatment of impairment of biological assets

If the net realizable value of the consumptive biological asset is lower than its carrying amount, falling price reserves of the biological asset shall be accrued according to the difference between the net realizable value and the carrying amount, and it shall be included in the current profit and loss. If the factors influencing the impairment of consumptive biological assets have been eliminated, the write-down amount shall be recovered and reversed within the amount of the original falling price reserves, and the reversed amount shall be included in the current profit and loss.

Please refer to Note V (19) for the method of provision for impairment of assets of productive biological assets.

18. Intangible Assets

(1) Pricing Method, Useful Life and Impairment Test

The intangible assets of the Group include land use right, patent right, etc.

Intangible assets are initially measured at cost, and their service life is analyzed and determined when intangible assets are acquired. If the service life of intangible assets is limited, the intangible assets shall be amortized by the method that can reflect the expected realization method of the economic benefits related to the assets within the expected service life since they are available for use. The straight-line method shall be used for amortization if no expected realization method can be determined reliably. Intangible assets with uncertain service life shall not be amortized.

The amortization method of intangible assets with limited service life is as follows:

Category	Service life	Amortization	Note
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		method	
Land use right	Stipulated in the land certificate	Method of line	
Patent use right	10 years	Method of line	
Software use right	1-3 years	Method of line	
Brand use right	10 years	Method of line	

At the end of each year, the Group reviews the service life and amortization method of intangible assets with limited service life. If the estimate is different from the previous one, the original estimate shall be adjusted and treated as per accounting estimate change.

If it is estimated that an intangible asset can no longer bring future economic benefits to the enterprise on the date of balance sheet, this carrying amount of the intangible asset shall be transferred into the current profit and loss.

The method of withdrawing impairment on intangible assets was stated in the Note V-19.

(2) Accounting Policy for Internal Research and Development Expenditures

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 can be capitalized only when they satisfy the following conditions simultaneously: 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. The development expenditures shall be recorded into profit or loss for the current period when they don't satisfy the following conditions.

The research and development project of the Group will enter the development stage after meeting the above conditions and the project is approved and initiated through technical feasibility and economic feasibility study.

The capitalized expenditure in the development stage is listed as expenditure for development on the balance sheet, and it will be transferred to intangible assets from the date when the project reaches the intended purpose.

19. Impairment of Long-term Assets

For long term equity investment in subsidiaries, associated enterprises and joint ventures, investment real estate which follow-up measurement is carried out by cost pattern, fixed assets, project under construction, productive biological assets measured by cost pattern, intangible assets, business reputation, etc. (excluding inventory, investment real estate measured by fair value pattern, deferred income tax assets, financial assets), the impairment of assets shall be determined according to the following methods:

On the date of the balance sheet, determination shall be made to see whether there is any sign of possible impairment of assets. If there is, the Group will estimate its recoverable amount and conduct impairment test. For goodwill, intangible assets with uncertain service life and intangible assets that have not reached the serviceable state due to business merger, impairment test shall be carried out every year regardless of whether there is any sign of impairment.

The recoverable amount is determined according to the net amount of the fair value of the asset minus the disposal expenses and the present value of the expected future cash flow of the asset, the higher amount shall be prevail. The Group estimates the recoverable amount on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs. The asset group is determined on the basis of whether the main cash inflow generated by the asset group is independent of the cash inflow of other assets or asset groups.

When the recoverable amount of an asset or asset group is lower than its carrying amount, the group will write down its carrying amount to the recoverable amount, and the written down amount will be included in the current profit and loss, and the corresponding asset impairment reserve will be accrued.

Regarding the impairment test of business reputation, the carrying amount of business reputation formed by business merger shall be apportioned to the relevant asset group in a reasonable way from the date of purchase. If it is difficult to apportion to the relevant asset group, it shall be apportioned to the relevant combination of asset group. The relevant asset group or combination of asset groups is the one that can benefit from the synergy effect of business merger, and is the one smaller than the reportable segment determined by the Group.

In the impairment test, if there is any sign of impairment in the asset group or combination of asset groups related to business reputation, first, impairment test shall be carried out on the asset group or combination of asset groups not containing business reputation, to calculate the recoverable amount and recognize the corresponding impairment loss. Then impairment test shall be carried out on the asset group or combination of asset group containing business reputation to compare the carrying amount with the recoverable amount. If the recoverable amount is lower than the carrying amount, the impairment loss of business reputation shall be recognized.

Once the impairment loss of assets is recognized, it will not be reversed in the future accounting period.

20. Long-term Deferred Expenses

The long-term expenses to be amortized incurred by the Group are valued at the actual cost and amortized averagely according to the expected benefit period. For long-term expenses to be amortized, the amortized value that cannot benefit the future accounting period shall be included in the current profit and loss.

21. Payroll

(1) Accounting Treatment of Short-term Compensation

During the accounting period in which employees provide services, the Group recognizes the actual employee wages, bonuses, social insurance premiums such as medical insurance premiums, industrial injury insurance premiums, and maternity insurance premiums and housing provident funds paid to employees according to the prescribed standards and proportions as liabilities and included them in the current profit and loss or related asset costs. If the liability is not expected to be fully paid within twelve months after the end of the annual reporting period for employees to provide related services, and the financial impact is significant, the liability will be measured at the discounted amount.

(2) Accounting Treatment of the Welfare after Departure

The post-employment benefit plan includes a defined contribution plan and a defined benefit plan. Among them, the defined contribution plan refers to the post-employment benefit plan that the enterprise no longer assumes further payment obligations after the fixed fund has paid a fixed fee; the defined benefit plan refers to the post-employment benefit plan other than the established contribution plan.

Set withdrawal plan

The set contribution plan includes basic pension insurance and unemployment insurance.

During the accounting period in which employees provide services, the amount of deposit payable calculated according to the set withdrawal plan is recognized as a liability and included in the current profit and loss or related asset costs.

Define a benefit plan

For the defined benefit plan, an independent actuary performs an actuarial valuation on the annual balance sheet date, and the cost of

providing benefits is determined by the expected cumulative benefit unit method. The employee compensation cost caused by the Group's defined benefit plan includes the following components:

- ① Service cost, including current service cost, past service cost and settlement gains or losses. Among them, the current service cost refers to the increase in the present value of the defined benefit plan obligations caused by the employees providing services in the current period; the past service cost refers to the defined benefit related to the employee services in the previous period caused by the modification of the defined benefit plan. An increase or decrease in the present value of plan obligations.
- ② The net interest of the net liabilities or net assets of the defined benefit plan, including the interest income of the plan assets, the interest expense of the defined benefit plan obligations and the interest affected by the asset ceiling.
- ③ Re-measure the changes caused by the net liabilities or net assets of the defined benefit plan.

Unless other accounting standards require or allow employee benefit costs to be included in the cost of assets, the Group will include the above items ① and ② into the current profit and loss; item ③ is included in other comprehensive income and will not be transferred back to profit or loss in the subsequent accounting period. When the defined benefit plan is terminated, all the parts originally included in other comprehensive income are carried forward to undistributed profits within the scope of equity.

(3) Accounting Treatment of the Demission Welfare

The Company relieves the labor relation with the employees before the due date of the labor contracts or puts forward the advice of providing the compensation for urging the employees volunteered to receive the downsizing and when the Company could not unilaterally withdraw the demission welfare owing to the relieving plan of the labor relation or the downsizing advice, should confirm the liabilities of the employees' salary from the demission welfare on the earlier day between the cost confirmed by the Company and the cost related to the reorganization of the payment of the demission welfare and includes which in the current gains and losses.

Regarding the implementation of internal retirement plan of the employees, the economic compensation before the official retirement date belongs to the dismissal welfare. From the date when the employees stop providing services to the normal retirement date, the wages and social insurance premiums to be paid to the early retired employees shall be included in the current profit and loss at one time. Financial compensation (such as normal pension) after the official retirement date shall be handled as welfare after separation.

(4) Accounting Treatment of the Welfare of Other Long-term Staffs

Other long-term employee benefits provided by the Group to employees that meet the conditions of defined contribution plans shall be handled in accordance with the above-mentioned relevant provisions on defined contribution plans. Those in line with the defined benefit plan shall be handled in accordance with the above-mentioned relevant provisions on the defined benefit plan. However, the part of "changes caused by remeasuring the net liabilities or net assets of the defined benefit plan" in the salary cost of relevant employees shall be included in the current profit and loss or the relevant asset cost.

22. Revenue

Is the Company has implemented the new standards governing revenue

Yes No

(1) General principle

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 service

On the balance sheet date, the company shall recognize the income by the percentage of completion method when the result of the transaction of labor service provided can be estimated reliably.

The completion schedule of the transaction of labor service shall be determined according to the proportion of labor cost incurred in the estimated total cost.

Reliable estimation of the result of labor service's transaction means that: A. The amount of revenue can be measured reliably; B. Relevant economic benefits are more likely to flow into the enterprise; C. The degree of completion of the transaction can be determined reliably; D. The costs incurred and to be incurred in the transaction can be measured reliably.

If the result of the transaction of labor service provided cannot be estimated reliably, the revenue of labor service provided shall be recognized according to the amount of labor cost incurred and expected to be compensated, and the incurred labor cost shall be recognized as the current expenses. If the incurred labor cost is not expected to be compensated, the revenue will not be recognized.

③ Transfer of asset use right

When the economic benefits related to the transfer of right to use an asset can flow into the company and the amount of revenue can be reliably measured, the company recognizes the revenue.

(2) Specific method

The specific method of recognizing revenue from selling products is as follows:

As for the revenues from the domestic sales products, the Company deliveries the products to the buyers according to the contracts agreement, and the revenues amount of the products sales had been confirmed with the goods payment had been withdrawn or had received the receipt voucher of which the relevant economic benefits probably flow into the enterprise as well as the relevant costs of the products could be reliable measured when being confirming as the revenues.

As for the revenues from the export sales products, the Company executes the customs declaration and the products departure according to the contracts agreement, and the Company had acquired the bill of lading with the revenues amount of the products sale had been confirmed and the goods payment had been withdrawn or had had received the receipt voucher of which the relevant economic benefits probably flow into the enterprise as well as the relevant costs of the products could be reliable measured when being confirming as the revenues.

23. Government Subsidies

Government subsidies are recognized when they meet the conditions attached to government subsidies and when they can be received.

Government subsidies for monetary assets shall be measured according to the amount received or receivable. Government subsidies for non-monetary assets shall be measured by fair value, and they shall be measured by the nominal amount of RMB1 if the fair value cannot be obtained reliably.

Asset related government subsidies refer to the government subsidies obtained by the Group for acquisition and construction or other forms of long-term assets. In addition, they are government subsidies related to income.

Regarding the government subsidies that the government document does not specify the object of subsidy and can form long-term assets, the part of government subsidy corresponding to the asset value shall be regarded as the asset-related government subsidy and the rest shall be regarded as income-related government subsidy. If it is difficult to distinguish, the government subsidy shall be regarded as the income-related government subsidy.

The government subsidies related to assets shall be recognized as the deferred income, which shall be included in the profit and loss in installment in a reasonable and systematic way within the service life of the relevant assets. Income-related government subsidies which are used to compensate the relevant costs or losses incurred shall be included in the current profit and loss. Those used to

compensate the relevant costs or losses in the later period shall be included in the deferred income, and shall be included in the current profit and loss during the recognition period of the relevant costs or losses. The government subsidies measured according to the nominal amount shall be directly included in the current profit and loss. The same method is adopted for the same or similar government subsidy businesses of the Group.

Government subsidies related to daily activities shall be included in other incomes according to the essence of business transactions. Government subsidies irrelevant to daily activities are included in non-business income.

When the recognized government subsidies need to be returned, the book balance of relevant deferred income shall be offset if there is a balance of relevant deferred income, and the excess part shall be included in the current profit and loss. Otherwise, it shall be directly included in the current profit and loss.

Regarding the interest subsidy of the policy preferential loan obtained, if the Ministry of Finance allocates the interest subsidy to the loan bank, the actual received loan amount shall be taken as the entry value of the loan, and the loan cost shall be calculated according to the loan principal and the policy preferential interest rate. If the Ministry of Finance allocates the interest subsidy directly to the Group, the interest subsidy will offset the borrowing costs.

24. Deferred Income Tax Assets/Deferred Income Tax Liabilities

Income tax includes current income tax and deferred income tax. All shall be included in the current profit and loss as income tax expense except the adjustment business reputation arising from business merger, or the deferred income tax related to the transactions or events directly included in the owner's equity is included in the owner's equity.

Pursuant to the temporary difference between the carrying amount of assets and liabilities on the date of balance sheet and the tax basis, the Group recognizes the deferred income tax by balance sheet liability method.

For all taxable temporary differences, related deferred income tax liabilities are recognized, unless the taxable temporary differences are generated in the following transactions:

(1) The initial recognition of business reputation or the initial recognition of assets or liabilities arising from transactions with the following characteristics: The transaction is not a business merger, and does not affect the accounting profit or taxable income when it occurs;

(2) Regarding the taxable temporary difference related to the investment of subsidiaries, joint ventures and associated enterprises, the time of reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward in subsequent years, the Group is likely to obtain the future taxable income as the limit to offset the deductible temporary differences, deductible losses and tax credits, in which way to recognize the deferred income tax assets arising from the deductible temporary differences, deductible losses and tax credits, unless the deductible temporary differences are generated in the following transactions:

(1) The transaction is not a business merger, and does not affect the accounting profit nor taxable income when it occurs;

(2) The corresponding deferred income tax assets shall be recognized if the deductible temporary differences related to the investment of subsidiaries, joint ventures and associated enterprises meet the following conditions simultaneously: The temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to deduct the deductible temporary differences is likely to be obtained in the future.

On the date of the balance sheet, the income tax assets and deferred income tax liabilities shall be measured by the Group on the basis of the applicable tax rate during the period when the assets are expected to be recovered or the liabilities are expected to be paid off, and the income tax impact on the expected recovery of assets on the date of the balance sheet or on the method to pay off the liabilities shall be reflected.

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.

25. Lease

(1) Accounting Treatment of Operating Lease

(1) 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 shall be recorded into current profits and losses.

(2) 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.

(2) Accounting Treatments of Financial Lease

(1) 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. 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.

(2) 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. The initial direct costs shall be recorded into value of leased assets. 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 Group adopts a depreciation policy consistent with its own fixed assets to accrue the depreciation of leased assets.

26. Repurchase of Shares

Before the shares repurchased by the Company are cancelled or transferred, they are managed as treasury shares, and all expenditures for the repurchase of shares are transferred to the cost of treasury shares. Consideration and transaction costs paid in share repurchase reduce shareholders' equity. When buying back, transferring or cancelling shares in the Company, no profits or losses are recognized. The transfer of inventory shares shall be credited to the capital reserve on the basis of the difference between the amount actually received and the carrying amount of the treasury stock. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset. Write-off of treasury stocks can reduce shares in par with par value and number of write-out stocks. The capital reserve is offset based on the difference between book balance and face value of cancelled treasury stocks. Write off surplus reserves and undistributed profits if capital reserves are insufficient to offset.

27. Other Significant Accounting Policies and Estimations

Pursuant to historical experience and other factors and reasonable expectations for future events, the Group continuously evaluates the important accounting estimates and key assumptions adopted. The important accounting estimates and key assumptions that are likely to cause major adjustment risk to the carrying amount of assets and liabilities in the next fiscal year are listed as follows:

Classification of financial assets

During the recognition of the classification of financial assets by the Group, the major judgments involved include the analysis of business model and contract cash flow characteristics, etc.

The Group determines the business model for managing financial assets at the level of financial asset portfolio, and factors considered include methods of evaluation and reporting financial asset performance to key management personnel, risks affecting financial asset performance and their management methods, and the way in which relevant business management personnel are paid.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangements, the Group has the following main judgments: Whether the principal may change in the time distribution or amount during the duration due to prepayment and other reasons; whether the interest include only the time value of money, credit risk, other basic lending risks, and considerations of costs and profits. For example, whether the amount of prepayment only reflect the unpaid principal and interest based on the unpaid principal, as well as reasonable compensation due to early termination of the contract.

Measurement of expected credit loss of accounts receivable

The Group calculates the expected credit loss of accounts receivable through the default risk exposure and the expected credit loss rate of accounts receivable, and determines the expected credit loss rate based on the default probability and loss given default. When determining the expected credit loss rate, the Group adjusts the historical data by using internal historical credit loss experience and other data, and combining the current situation and forward-looking information. The indicators used by the Group include risks of economic downturn, changes in external market environment, technological environment and customer conditions, etc. when considering forward-looking information. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses.

Impairment of goodwill

The Group assesses whether goodwill is impaired at least annually. This requires estimating the value in use of the asset group to which goodwill has been allocated. When estimating the value in use, the Group needs to estimate the future cash flows from the asset group and select the appropriate discount rate to calculate the present value of future cash flows.

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.

Recognition of fair value of unlisted equity investment

When confirming the fair value of unlisted equity investments, the Group will choose an appropriate valuation method. The valuation method makes maximum use of observable market information. However, the management will estimate the significant unobservable information included in the valuation method when observable market information is unavailable. Under limited circumstances, if the information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value within the range, the cost may represent the appropriate estimate of fair value within the distribution range.

28. Changes in Main Accounting Policies and Estimates

(1) Significant Changes in Accounting Policies

√ Applicable □ Not applicable

Contents of changes in accounting policies and reasons thereof	Approval procedures	Note
The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (Revised), Accounting Standards for Business Enterprise No. 23-Transfer of Financial Assets (Revised), Accounting Standards for Business Enterprises No. 24-Hedge Accounting (Revised) and Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments (Revised) (hereinafter collectively referred to as “the new standards governing financial instruments”) in 2017.	The Company approved the implementation of the new standards governing financial instruments since 1 January 2019 and adjusted relevant contents of accounting policies on the 24 th Meeting of the 8 th Board of Directors held on 27 March 2019.	Refer to the Note V-9 for revised accounting policies
The Ministry of Finance issued the Notice on Revising and Issuing the 2019 Formats of Financial Statements for General Enterprises (CK[2019]No. 6) in April 2019 and the Notice on Revising and Issuing the 2018 Formats of Financial Statements for General Enterprises (CK[2018]No. 15) issued in June 2018 was accordingly abolished. The Ministry of Finance issued the Notice on Revising and Issuing the Formats of Consolidated Financial Statements (2019) (CK[2019]No. 16) in September 2019 and the Notice on Revising and Issuing the 2018 Formats for Consolidated Statements (CK[2019]No. 1) was accordingly abolished. In accordance with the CK[2019]No. 6 and CK[2019]No. 16, the Company made the following revisions for the formats of financial statements: as for the balance sheet, the item of “notes receivable and accounts receivable” was split into the item of “notes receivable” and “accounts receivable”; the item of “notes payable and accounts payable” was split into the item of “notes payable” and the item of “accounts payable”.	The Company approved this change in accounting policies on the 24 th Meeting of the 8 th Board of Directors held on 27 March 2019 and the 13 th Meeting of the 9 th Board of Directors held on 28 April 2020.	The Company adjusted the comparative data of the comparative period in accordance with CK[2019]No. 6. The revision of formats for financial statements has no influence on the Company’s total assets, total liabilities, net profit and other comprehensive income.
In 2015, the Company set up the two wholly-owned subsidiaries Lu Thai Vietnam and Lu An Garments in Vietnam. The recording currency of both two subsidiaries is DONG during the period from respective establishment date to 31 December 2018. The sales export of the two	The Company approved the change in recording currency of Lu Thai Vietnam and Lu An Garments into USD from DONG since 1 January 2019 on the 24 th Meeting of the 8 th Board of Directors held on 27 March	

<p>subsidiaries was mainly settled in USD. 86.48% of sales revenue of Lu Thai Vietnam in 2018 was settled in USD and all sales revenue of Lu An Garments were settled in USD. In accordance with provisions of No. 200/2014TT-BTC Accounting Systems for Business Enterprises issued by the Ministry of Finance of Vietnam, the two subsidiaries satisfied the condition taking USD as the recording currency, thus, their recording currencies have been changed into USD since 1 January 2019.</p>	2019.	
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The comparison statement of financial assets of the Company classified and measured respectively according to the new standards governing financial instruments and the original one on 1 January 2019:

Original standards governing financial instruments			New standards governing financial instruments		
Item	Category	Carrying value	Item	Category	Carrying value
Financial assets at fair value through profit or loss	At fair value through profit or loss		Held-for-trading financial assets	At fair value through profit or loss	
			Derivative financial assets	At fair value through profit or loss	
Available-for-sale financial assets	At fair value through other comprehensive income (debt instruments)	60,612,000.00	Held-for-trading financial assets	At fair value through profit or loss	60,612,000.00
	At fair value through other comprehensive income (equity instruments)		Held-for-trading financial assets	At fair value through profit or loss	
			Investment in other equity instruments	At fair value through other comprehensive income	
	Measured at cost (equity instruments)	24,500,000.00	Other non-current financial assets	At fair value through profit or loss	43,018,515.95
Investment in other equity instruments			At fair value through other comprehensive income		
Notes receivable	Amortized cost	174,657,918.26	Notes receivable	Amortized cost	174,657,918.26
			Accounts receivable financing	At fair value through other comprehensive income	
Accounts receivable	Amortized cost	374,607,116.55	Accounts receivable	Amortized cost	374,607,116.55
			Accounts receivable	At fair value through other comprehensive	

			financing	income	
Other receivables	Amortized cost	63,012,001.10	Other current assets	Amortized cost	
			Other receivables	Amortized cost	63,012,001.10
Long-term receivables	Amortized cost	10,693,844.75	Long-term receivables	Amortized cost	10,693,844.75
			Other non-current financial assets	At fair value through profit or loss	
			Investment in debt obligations	Amortized cost	

The reconciliation statement financial instruments in classification and carrying value when implementing the new standards governing financial instruments on 1 January 2019:

Item	Carrying amount before the adjustment	Reclassified	Remeasured	Carrying amount after the adjustment
	(31 December 2018)			(1 January 2019)
Assets:				
Financial assets at fair value through profit or loss			--	--
Held-for-trading financial assets	--	60,612,000.00		60,612,000.00
Notes receivable	174,657,918.26			174,657,918.26
Accounts receivable	374,607,116.55			374,607,116.55
Accounts receivable financing				
Other receivables	63,012,001.10			63,012,001.10
Current portion of non-current assets				
· At amortized				
· At fair value through other comprehensive income				
· Other				
Other current assets				
Available-for-sale financial assets	85,112,000.00	-85,112,000.00	--	--
Held-to-maturity investments			--	--
Investment in debt obligations	--			
Investment in other debt obligations	--			
Long-term receivables	10,693,844.75			10,693,844.75
Investment in other equity	--			

instruments				
Other non-current financial assets	--	24,500,000.00	18,518,515.95	43,018,515.95
Long-term equity investments	96,018,463.65		-463,653.75	95,554,809.90
Deferred income tax assets	88,636,929.06		-2,777,777.39	85,859,151.67
Liabilities:				
Financial liabilities at fair value through profit or loss	4,877,600.00	-4,877,600.00	--	--
Held-for-trading financial liabilities	--	4,877,600.00		4,877,600.00
Shareholders' equity				
Other comprehensive income	61,157,013.37		-520,200.00	60,636,813.37
Surplus reserves	1,022,717,451.40		1,579,728.48	1,024,297,179.88
Retained earnings	4,927,500,989.55		14,217,556.33	4,941,718,545.88
Non-controlling interests	579,276,247.53			579,276,247.53

The reconciliation statement between the provision for loss as of 31 December 2018 measured according to the original standards governing financial instruments and that as of 1 January 2019 confirmed according to the new standards governing financial instruments:

Measurement category	Carrying amount before the adjustment	Reclassified	Remeasured	Carrying amount after the adjustment
	(31 December 2018)			(1 January 2019)
Provision for impairment on notes receivable				
Provision for impairment on accounts receivable	19,823,714.31			19,823,714.31
Provision for impairment on other receivables	5,685,008.11			5,685,008.11
Provision for impairment on long-term receivables	528,623.41			528,623.41

(2) Changes in Accounting Estimates

Applicable Not applicable

(3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases since 2019

Applicable Not applicable

Consolidated balance sheet

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
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Current assets:			
Monetary assets	545,502,709.36	545,502,709.36	
Held-for-trading financial assets		60,612,000.00	60,612,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	174,657,918.26	174,657,918.26	
Accounts receivable	374,607,116.55	374,607,116.55	
Accounts receivable financing			
Prepayments	149,582,616.21	149,582,616.21	
Other receivables	63,012,001.10	63,012,001.10	
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	2,093,366,992.30	2,093,366,992.30	
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	86,366,454.56	86,366,454.56	
Total current assets	3,487,095,808.34	3,547,707,808.34	60,612,000.00
Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	85,112,000.00		-85,112,000.00
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables	10,693,844.75	10,693,844.75	
Long-term equity investments	96,018,463.65	95,554,809.90	-463,653.75
Investments in other equity instruments			
Other non-current financial assets		43,018,515.95	43,018,515.95
Investment property	22,880,242.95	22,880,242.95	
Fixed assets	5,748,562,385.35	5,748,562,385.35	
Construction in progress	337,230,646.42	337,230,646.42	
Productive living assets			
Intangible assets	478,689,064.45	478,689,064.45	
R&D expense			

Goodwill	20,613,803.29	20,613,803.29	
Long-term prepaid expense	119,126,407.71	119,126,407.71	
Deferred income tax assets	88,636,929.06	85,859,151.67	-2,777,777.39
Other non-current assets	43,100,215.87	43,100,215.87	
Total non-current assets	7,050,664,003.50	7,005,329,088.31	-45,334,915.19
Total assets	10,537,759,811.84	10,553,036,896.65	15,277,084.81
Current liabilities:			
Short-term borrowings	1,325,273,780.05	1,325,273,780.05	
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss	4,877,600.00		-4,877,600.00
Derivative financial liabilities		4,877,600.00	4,877,600.00
Notes payable	502,347.05	502,347.05	
Accounts payable	353,186,163.90	353,186,163.90	
Advances from customers	105,562,378.66	105,562,378.66	
Payroll payable	325,998,210.17	325,998,210.17	
Taxes payable	43,556,823.75	43,556,823.75	
Other payables	215,946,987.68	215,946,987.68	
Including: Interest payable	3,068,841.54	3,068,841.54	
Dividends payable	441,113.64	441,113.64	
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities	2,374,904,291.26	2,374,904,291.26	
Non-current liabilities:			
Insurance contract reserve			
Long-term borrowings	170,019,083.89	170,019,083.89	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term payroll payable	96,958,178.53	96,958,178.53	
Provisions			
Deferred income	140,183,446.39	140,183,446.39	
Deferred income tax liabilities	28,030,096.38	28,030,096.38	

Other non-current liabilities	1,840,000.00	1,840,000.00	
Total non-current liabilities	437,030,805.19	437,030,805.19	
Total liabilities	2,811,935,096.45	2,811,935,096.45	
Owners' equity:			
Share capital	922,602,311.00	922,602,311.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	699,493,647.48	699,493,647.48	
Less: Treasury stock	486,922,944.94	486,922,944.94	
Other comprehensive income	61,157,013.37	60,636,813.37	-520,200.00
Specific reserve			
Surplus reserves	1,022,717,451.40	1,024,297,179.88	1,579,728.48
General reserve			
Retained earnings	4,927,500,989.55	4,941,718,545.88	14,217,556.33
Total equity attributable to owners of the Company as the parent	7,146,548,467.86	7,161,825,552.67	15,277,084.81
Non-controlling interests	579,276,247.53	579,276,247.53	
Total owners' equity	7,725,824,715.39	7,741,101,800.20	15,277,084.81
Total liabilities and owners' equity	10,537,759,811.84	10,553,036,896.65	15,277,084.81

Notes to adjustment

Balance sheet of the Company as the Parent

Unit: RMB

Item	31 December 2018	1 January 2019	Adjusted
Current assets:			
Monetary assets	191,305,104.80	191,305,104.80	
Held-for-trading financial assets		60,612,000.00	60,612,000.00
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	91,555,248.34	91,555,248.34	
Accounts receivable	316,225,973.28	316,225,973.28	
Accounts receivable financing			
Prepayments	115,020,260.51	115,020,260.51	
Other receivables	395,847,213.77	395,847,213.77	

Including: Interest receivable			
Dividends receivable			
Inventories	1,040,433,078.53	1,040,433,078.53	
Contractual assets			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	12,671,631.64	12,671,631.64	
Total current assets	2,163,058,510.87	2,223,670,510.87	60,612,000.00
Non-current assets:			
Investments in debt obligations			
Available-for-sale financial assets	73,112,000.00		-73,112,000.00
Investments in other debt obligations			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	2,165,711,579.69	2,165,247,925.94	-463,653.75
Investments in other equity instruments			
Other non-current financial assets		31,018,515.95	31,018,515.95
Investment property	14,804,592.72	14,804,592.72	
Fixed assets	2,731,726,695.28	2,731,726,695.28	
Construction in progress	61,182,771.86	61,182,771.86	
Productive living assets			
Intangible assets	242,204,032.54	242,204,032.54	
R&D expense			
Goodwill			
Deferred income tax assets	52,758,961.05	49,981,183.66	-2,777,777.39
Other non-current assets	6,047,443.10	6,047,443.10	
Total non-current assets	5,347,548,076.24	5,302,213,161.05	-45,334,915.19
Total assets	7,510,606,587.11	7,525,883,671.92	15,277,084.81
Current liabilities:			
Short-term borrowings	622,604,447.52	622,604,447.52	
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss	4,877,600.00		-4,877,600.00
Derivative financial liabilities		4,877,600.00	4,877,600.00
Notes payable	120,000.00	120,000.00	

Accounts payable	120,021,727.66	120,021,727.66	
Advances from customers	49,798,551.14	49,798,551.14	
Payroll payable	240,090,943.88	240,090,943.88	
Taxes payable	30,914,089.32	30,914,089.32	
Other payables	303,672,590.72	303,672,590.72	
Including: Interest payable	2,475,549.88	2,475,549.88	
Dividends payable	441,113.64	441,113.64	
Current portion of non-current liabilities			
Other current liabilities			
Total current liabilities	1,372,099,950.24	1,372,099,950.24	
Non-current liabilities:			
Long-term borrowings			
Long-term payables			
Long-term payroll payable	96,958,178.53	96,958,178.53	
Provisions			
Deferred income	94,390,844.09	94,390,844.09	
Deferred income tax liabilities	16,699,530.43	16,699,530.43	
Other non-current liabilities			
Total non-current liabilities	208,048,553.05	208,048,553.05	
Total liabilities	1,580,148,503.29	1,580,148,503.29	
Owners' equity:			
Share capital	922,602,311.00	922,602,311.00	
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserves	759,836,756.57	759,836,756.57	
Less: Treasury stock	486,922,944.94	486,922,944.94	
Other comprehensive income	520,200.00		-520,200.00
Specific reserve			
Surplus reserves	1,019,608,711.76	1,021,188,440.24	1,579,728.48
Retained earnings	3,714,813,049.43	3,729,030,605.76	14,217,556.33
Total owners' equity	5,930,458,083.82	5,945,735,168.63	15,277,084.81
Total liabilities and owners' equity	7,510,606,587.11	7,525,883,671.92	15,277,084.81

Notes to adjustment

VI Taxes

1. Main Taxes and Tax Rates

Category of tax	Taxable basis	Tax rate
VAT	Taxable income	16%, 13%, 10%, 9%, 6%, 5%, 3%, 0
Urban maintenance and construction tax	Turnover tax payable	7%, 5%, 1%
Enterprise income tax	Income tax payable	0, 15%, 16.5%, 25%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Taxpayer	Income tax rate
The Company	15%
Lufeng Weaving & Dyeing	15%
Lu Thai Hong Kong	16.50%
Xinjiang Lu Thai	25%
Luqun Textile	25%
Xinsheng Power	25%
Shanghai Lu Thai	20%
Beijing Youxian	25%
Shanghai Zhinuo	25%
Xinjiang Textile	15%
Lulian New Materials	25%
Lujia Import & Export	25%
Lu Thai Cambodia	0%
Lu Thai Burma	0%
Lu Thai Vietnam	0%
Lu Thai Tan Chau	0%
Lu An Garments	0%
Lu Thai America	Refer to 2. Tax Preference presented as follows for details

2. Tax Preference

According to the *Notice on Publicizing the List of Proposed High-tech Enterprises for 2014 in Shandong Province* (LKH Zi [2014] No. 136), and the *Notice on the Recognition of 2078 Enterprises as High-tech Enterprises for 2017 such as Weihai Tuozhan Fiber Co., Ltd.* (LK Zi [2018] No. 37) issued by the Department of Science and Technology of Shandong Province, Shandong Provincial Finance Department, State Administration of Taxation of Shandong Province and Local Taxation Bureau of Shandong Province, the Company and the holding subsidiary Lufeng Weaving & Dyeing were identified as high-tech enterprises. Pursuant to Article 28 of *the Law of the PRC on Enterprise Income Tax* and the No. 23 Announcement revised and published by the State Administration of

Taxation in 2018, namely *Management of Preferential Policy on Corporate Income Tax* and the *Measures for the Administration of the Recognition of Hi-tech Enterprises* (GKFH [2016] No. 195) revised and published by the Ministry of Science and Technology, Ministry of Finance and State Administration of Taxation, the Company and the holding subsidiary Lufeng Weaving & Dyeing enjoy a corporate income tax rate of 15%.

According to the *Announcement on Implementing the Universal Income Tax Reduction and Exemption Policy Published the State Administration of Taxation (SAT)* (SAT Announcement No.2 of 2019), from 1 January 2019 to 31 December 2021, the portion of annual taxable income of within RMB1 million of the wholly-owned subsidiary of the Company Shanghai Lu Thai (a small-scale and low-profit enterprise) shall be included in taxable income by reduction of 25% based on the enterprise income tax rate of 20%; for the portion exceeding RMB1 million but within RMB3 million, it shall be included in taxable income by reduction of 50% based on the enterprise income tax rate of 20%.

According to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (CS[2011] No. 58), Xinjiang Textile Co., Ltd., the subsidiary of Lu Thai in Xinjiang, enjoys a preferential corporate income tax rate of 15%.

Lu Thai (Hong Kong) Textile Co., Ltd. (hereinafter refers as Lu Thai (Hong Kong) Textile), 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%.

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%. Year 2019 is in grace period.

The wholly own subsidiary Lu Thai Burma, according to the Burma's Special Economic Zone Law issued by Pyidaungsu Hluttaw, Lu Thai 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%. Year 2019 is the fourth year of tax holiday.

The wholly-owned subsidiary Lu Thai (Vietnam) Textile Co., Ltd. shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Tay Ninh Industrial Zone Management Committee, and it will enter into 2 years' duty-free term if it is profitable within 3 years' starting term. The Company shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2019 is the second year of the duty-free term.

The wholly-owned subsidiary of Lu Thai Vietnam, Lu Thai Tan Chau, shall enjoy the preference of enterprise income tax at 3 years' starting term + 4 years' duty-free term + 9 years' half-tax term according to the investment license issued by Vietnamese Tay Ninh Investment Planning Office, and it will enter into 2 years' duty-free term if it is profitable within 3 years' starting term. The Company shall enjoy 10% of the preference tax rate within 15 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2019 is the first year of the starting term.

The wholly-owned subsidiary Lu An Garments Co., Ltd. shall enjoy the preference of enterprise income tax at 3 years' starting term + 2 years' duty-free term + 4 years' half-tax term according to the investment license issued by Vietnamese Anjiang Province Economic Zone Management Committee, and it will enter into duty-free term if the profitability is realized at any year within 3 years' starting term. The Company shall enjoy 17% of the preference tax rate within 10 years since the tax year to get the first production and operation income, and the enterprise income tax rate shall be 20% after the preference term ends. Year 2019 is the first year of the duty-free term.

Lu Thai America, the wholly-owned subsidiary of the Company registered in New York, America, was imposed the federal enterprise income tax at progressive tax rate in excess of specific amount of 15%-39%, and imposed the New York Enterprise income tax at the rate of 6.5%. The income tax rate shall be 6.5% when the sales income in New York was below US\$10 million, while 8.85% when above US\$10 million. The 6.5% of income tax rate was applied in 2019.

VII. Notes to Main Items of Consolidated Financial Statements

1. Monetary Assets

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	9,544,377.41	9,087,924.86
Bank deposits	870,590,467.70	526,046,848.04
Other monetary funds	44,187,163.06	10,367,936.46
Total	924,322,008.17	545,502,709.36
Of which: total amount deposited overseas	299,088,689.18	92,173,384.32

Other notes:

(1) On 31 December 2019, the monetary fund with restricted ownership of the Company was of RMB44.1872 million, which was guarantee deposit of RMB14 million pledged for bank short-term borrowings and L/C guarantee deposit of RMB0.2953 million for by the Company's subsidiary Xinjiang Lu Thai; L/C guarantee deposit of RMB20.09 million for by the Company's subsidiary Lulian New Materials; L/C guarantee deposit of USD1.3946 million (RMB9.7292 million) for by the Company's subsidiary Lu Thai Vietnam; and guarantee deposit of RMB72,600 by the Company's subsidiary Lufeng Weaving & Dyeing.

(2) The interest receivable in bank deposits was RMB1,575,826.19.

2. Trading Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Financial assets at fair value and the changes be included in gains and losses	52,356,098.85	60,612,000.00
Of which:		
Debt instrument investment	52,356,098.85	60,612,000.00
Total	52,356,098.85	60,612,000.00

Other notes:

The trading financial assets were the trust products purchased by the Company.

3. Notes Receivable

(1) Notes Receivable Listed by Category

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance bill	13,622,998.20	72,215,993.39

L/C	91,114,951.71	102,441,924.87
Total	104,737,949.91	174,657,918.26

(2) Notes Receivable which Had Endorsed by the Company or Had Discounted and Had not Due on the Balance Sheet Date at the Period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	220,716,455.27	
Total	220,716,455.27	

4. Accounts Receivable

(1) Accounts Receivable Disclosed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	546,428,127.56	100.00%	31,121,527.94	5.70%	515,306,599.62	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55
Of which:										
Group 1: Undue accounts (credit insurance insured)	146,231,602.81	26.76%	1,535,431.83	1.05%	144,696,170.98	110,999,485.40	28.14%	566,097.38	0.51%	110,433,388.02
Group 2: Undue accounts (no credit insurance)	298,971,131.80	54.72%	14,948,556.59	5.00%	284,022,575.21	210,764,415.97	53.44%	10,538,220.80	5.00%	200,226,195.17
Group 3: Overdue accounts (credit insurance insured)	59,793,875.78	10.94%	6,397,944.71	10.70%	53,395,931.07	52,706,061.02	13.36%	4,759,357.31	9.03%	47,946,703.71
Group 4: Overdue accounts (no credit insurance)	41,431,517.17	7.58%	8,239,594.81	19.89%	33,191,922.36	19,960,868.47	5.06%	3,960,038.82	19.84%	16,000,829.65

insurance)										
Total	546,428,127.56	100.00%	31,121,527.94	5.70%	515,306,599.62	394,430,830.86	100.00%	19,823,714.31	5.03%	374,607,116.55

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	544,850,099.58
1 to 2 years	1,161,336.20
2 to 3 years	72,463.86
Over 3 years	344,227.92
3 to 4 years	344,227.92
Total	546,428,127.56

(2) Bad Debt Provision Withdrawn, Reversed or Recovered in the Reporting Period

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Adjusted amount of the first execution of new standard governing financial instruments	19,823,714.31	11,737,135.92		439,322.29		31,121,527.94
Total	19,823,714.31	11,737,135.92		439,322.29		31,121,527.94

(3) The Actual Verification of Accounts Receivable

Unit: RMB

Item	Amount
Actual verified accounts receivable	439,322.29

(3) Top 5 Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
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A	34,860,989.94	6.38%	2,438,333.64
B	24,443,651.53	4.47%	1,222,182.58
C	23,601,641.23	4.32%	279,252.01
D	23,317,891.86	4.27%	1,173,420.34
E	17,893,286.99	3.27%	894,664.35
Total	124,117,461.55	22.71%	

5. Accounts Receivable Financing

Unit: RMB

Item	Ending balance	Beginning balance
Notes receivable	26,963,818.87	
Total	26,963,818.87	

The changes of accounts receivable financing in the Reporting Period and the changes in fair value

Applicable Not applicable

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable financing.

Applicable Not applicable

Other notes:

There was no bank acceptance bill for which bad debt provision accrued separately in the Company. On 31 December 2019, the Company believed that there was no significant credit risk in the bank acceptance bill held by the Company, and no significant loss caused by bank defaults.

6. Prepayment

(1) Prepayment Listed by Aging Analysis

Unit: RMB

Aging	Ending balance		Beginning balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	53,283,453.85	93.76%	149,436,553.91	99.90%
1 to 2 years	3,529,989.66	6.21%	10,838.26	0.01%
2 to 3 years			8,319.04	0.01%
Over 3 years	15,544.08	0.03%	126,905.00	0.08%
Total	56,828,987.59	--	149,582,616.21	--

(2) Top 5 Prepayment in Ending Balance Collected according to the Prepayment Target

The total top 5 prepayment in ending balance collected according to the prepayment target for the Company was RMB13,407,773.20,

accounting for 23.59% of total ending balance of prepayment.

6. Other Accounts Receivable

Unit: RMB

Item	Ending balance	Beginning balance
Other accounts receivable	59,743,471.84	63,012,001.10
Total	59,743,471.84	63,012,001.10

(1) Other Accounts Receivable

1) Other Account Receivable Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Export taxes refund	10,107,773.06	25,988,374.88
VAT to be returned	28,015,795.39	
Advance payment	12,156,529.38	30,975,850.53
Cash Pledge & Margin	6,749,222.66	6,227,752.93
Borrowings and petty cash	6,971,063.51	3,232,785.56
Other	1,210,146.25	2,272,245.31
Total	65,210,530.25	68,697,009.21

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	3,174,868.17	1,917,702.71	592,437.23	5,685,008.11
Balance of 1 January 2019 in the Current Period	—	—	—	—
Withdrawal of the Current Period	-131,473.96	-86,475.74		-217,949.70
Balance of 31 December 2019	3,043,394.21	1,831,226.97	592,437.23	5,467,058.41

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	57,056,355.41
1 to 2 years	530,548.80
2 to 3 years	2,918,827.72
Over 3 years	4,704,798.32
3 to 4 years	339,095.44
4 to 5 years	4,000.00
Over 5 years	4,361,702.88
Total	65,210,530.25

3) Top 5 Other Accounts Receivable in Ending Balance Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to total ending balance of other accounts receivable	Ending balance of bad debt provision
VAT receivable to be returned	Input VAT	28,015,795.39	Within 1 year	42.96%	1,400,789.77
Export taxes refund receivable	Export taxes refund	10,107,773.06	Within 1 year	15.50%	505,388.65
Xinning Electric Power Company	Intercourse borrowing	4,816,368.48	Within 1 year	7.39%	240,818.42
Advance heating expenses	Payment on behalf	1,927,464.39	Within 1 year	2.96%	96,373.22
Migrant workers' wage margin in Zichuan District of Zibo	Migrant workers' wage margin of infrastructural project	1,902,126.50	Over 3 years	2.91%	95,106.33
Total	--	46,769,527.82	--	71.72%	2,338,476.39

8. Inventory

Whether the Company has already implemented the new revenue standards

 Yes No

(1) Category of Inventory

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Raw materials	1,022,913,125.05		1,022,913,125.05	768,264,219.42	2,069,324.65	766,194,894.77
Goods in process	583,495,292.95		583,495,292.95	568,371,033.96		568,371,033.96
Inventory goods	888,016,891.18	102,276,414.38	785,740,476.80	798,090,300.29	64,960,183.31	733,130,116.98
Consumptive living assets	1,472,972.75	576,304.29	896,668.46	1,352,241.24	266,680.61	1,085,560.63
Assigned processing products	28,454,696.04		28,454,696.04	24,585,385.96		24,585,385.96
Total	2,524,352,977.97	102,852,718.67	2,421,500,259.30	2,160,663,180.87	67,296,188.57	2,093,366,992.30

(2) Falling Price Reserves of Inventory

Unit: RMB

Item	Beginning balance	Increased amount		Decreased amount		Ending balance
		Withdrawal	Other	Reversal or write-off	Other	
Raw materials	2,069,324.65			2,069,324.65		
Inventory goods	64,960,183.31	71,337,067.85		34,020,836.78		102,276,414.38
Consumptive living assets	266,680.61	368,035.50		58,411.82		576,304.29
Total	67,296,188.57	71,705,103.35		36,148,573.25		102,852,718.67

Item	Specific basis of withdrawal of inventory falling price reserves	Reasons for write-off or write-back
Raw materials	The lower one between cost of each item of inventory and its realizable net value	Sales
Inventory goods	The lower one between cost of each item of inventory and its realizable net value	Sales
Consumptive living assets	The lower one between cost of each item of inventory and its realizable net value	Sales

9. Other Current Assets

Whether the Company has already implemented the new revenue standards

Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Input VAT	49,986,686.74	69,931,124.83
Prepaid income tax	18,801,867.00	4,820,039.66
Prepaid other taxes	120.36	
Prepaid B-share repurchase account		11,615,290.07
Total	68,788,674.10	86,366,454.56

10. Long-term Receivables

(1) List of Long-term Receivables

Unit: RMB

Item	Ending balance			Beginning balance			Interval of discount rate
	Carrying amount	Bad debt provision	Carrying value	Carrying amount	Carrying value	Carrying amount	
Financing lease accounts	250,000.00		250,000.00	650,000.00		650,000.00	15.37%
Of which: unrealized financing income	26,400.76		26,400.76	105,603.04		105,603.04	
Long-term advances receivable	7,564,704.12	756,470.41	6,808,233.71	10,572,468.16	528,623.41	10,043,844.75	
Total	7,814,704.12	756,470.41	7,058,233.71	11,222,468.16	528,623.41	10,693,844.75	--

Impairment of bad debt provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment not occurred)	Expected loss in the duration (credit impairment occurred)	
Balance of 1 January 2019	528,623.41			528,623.41
Balance of 1 January 2019 in the Current Period	—	—	—	—

--Transfer to Second stage				
-- Transfer to Third stage				
-- Reverse to Second stage				
-- Reverse to First stage				
Withdrawal of the Current Period	227,847.00			227,847.00
Reversal of the Current Period				
Write-offs of the Current Period				
Verification of the Current Period				
Other changes				
Balance of 31 December 2019	756,470.41			756,470.41

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable Not applicable

11. Long-term Equity Investment

Unit: RMB

Investees	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserves	
		Additi onal invest ment	Reduc ed invest ment	Gains and losses recognized under the equity method	Adjustm ent of other compreh ensive income	Change s of other equity	Cash bonus or profits announce d to issue	Withdra wal of deprecia tion reserves	Othe r			
II. Associated enterprises												
Ningbo Meishan Bonded Poer Area Haohong Equity Investment Partnership	95,554,809.90			7,671,490.10							103,226,300.00	

(L.P) (hereinafter referred to as "Haohong Investment")											
Subtotal	95,554,809.90			7,671,490.10						103,226,300.00	
Total	95,554,809.90			7,671,490.10						103,226,300.00	

12. Other Non-current Financial Assets

Unit: RMB

Item	Ending balance	Beginning balance
Debt instrument investment		
Equity instrument investment	266,149,500.00	31,018,515.95
Financial assets assigned measured by fair value and the changes be included in the current gains and losses	12,000,000.00	12,000,000.00
Other		
Total	278,149,500.00	43,018,515.95

13. Investment Property

(1) Investment Property Adopted the Cost Measurement Mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Total
I. Original carrying value		
1. Beginning balance	32,399,982.40	32,399,982.40
2. Increased amount of the period	28,432,983.64	28,432,983.64
(1) Outsourcing	7,283,640.60	7,283,640.60
(2) Transfer from inventory/fixed assets/construction in progress	21,149,343.04	21,149,343.04
(3) Enterprise combination increase		
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		

4. Ending balance	60,832,966.04	60,832,966.04
II. Accumulative depreciation and accumulative amortization		
1. Beginning balance	9,519,739.45	9,519,739.45
2. Increased amount of the period	5,416,478.72	5,416,478.72
(1) Withdrawal or amortization	1,595,501.60	1,595,501.60
(2) Transfer from fixed assets	3,820,977.12	3,820,977.12
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance	14,936,218.17	14,936,218.17
III. Depreciation reserves		
1. Beginning balance		
2. Increased amount of the period		
(1) Withdrawal		
3. Decreased amount of the period		
(1) Disposal		
(2) Other transfer		
4. Ending balance		
IV. Carrying value		
1. Ending carrying value	45,896,747.87	45,896,747.87
2. Beginning carrying value	22,880,242.95	22,880,242.95

14. Fixed Assets

Unit: RMB

Item	Ending balance	Beginning balance
Fixed assets	6,012,094,104.67	5,748,562,385.35
Total	6,012,094,104.67	5,748,562,385.35

(1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Electronic equipment and others	Total
I. Original carrying value					

1. Beginning balance	3,251,285,811.62	6,567,263,906.52	63,692,200.59	125,565,020.71	10,007,806,939.44
2. Increased amount of the period	357,789,695.39	392,585,348.36	6,071,534.91	22,632,166.93	779,078,745.59
(1) Purchase	1,115,943.64	260,078,736.64	6,067,796.56	7,298,915.11	274,561,391.95
(2) Transfer from construction in progress	343,788,276.38	113,533,822.92		15,274,883.24	472,596,982.54
(3) Enterprise combination increase					
(3) Other increase	12,885,475.37	18,972,788.80	3,738.35	58,368.58	31,920,371.10
3. Decreased amount of the period	43,008,886.06	9,418,987.38	3,272,773.03	3,071,976.57	58,772,623.04
(1) Disposal or scrap	5,230,626.36	9,418,987.38	3,272,773.03	3,071,976.57	20,994,363.34
(2) Transferred into construction in progress	16,628,916.66				16,628,916.66
(3) Transferred into investment property	21,149,343.04				21,149,343.04
4. Ending balance	3,566,066,620.95	6,950,430,267.50	66,490,962.47	145,125,211.07	10,728,113,061.99
II. Accumulative depreciation					
1. Beginning balance	959,511,665.02	3,129,855,046.37	41,145,799.39	86,048,051.87	4,216,560,562.65
2. Increased amount of the period	110,140,431.63	331,740,297.24	5,396,270.20	18,744,588.36	466,021,587.43
(1) Withdrawal	109,207,716.48	329,528,687.99	5,338,687.22	18,565,000.57	462,640,092.26
(2) Other increase	932,715.15	2,211,609.25	57,582.98	179,587.79	3,381,495.17
3. Decreased amount of the period	14,525,174.78	8,159,846.96	1,105,709.06	2,879,191.43	26,669,922.23
(1) Disposal or scrap	3,442,557.40	8,159,846.96	1,105,709.06	2,879,191.43	15,587,304.85
(2) Transferred into construction in progress	7,261,640.26				7,261,640.26
(3) transferred into investment property	3,820,977.12				3,820,977.12
4. Ending balance	1,055,126,921.87	3,453,435,496.65	45,436,360.53	101,913,448.80	4,655,912,227.85
III. Depreciation reserves					
1. Beginning balance	2,893,416.89	39,649,126.64	24,803.69	116,644.22	42,683,991.44
2. Increased amount of the period	2,197,325.84	17,400,046.15	1,580.00	12,933.47	19,611,885.46
(1) Withdrawal	2,197,325.84	17,400,046.15	1,580.00	12,933.47	19,611,885.46
3. Decreased amount of the period		2,189,147.43			2,189,147.43
(1) Disposal or scrap		2,189,147.43			2,189,147.43
4. Ending balance	5,090,742.73	54,860,025.36	26,383.69	129,577.69	60,106,729.47
IV. Carrying value					
1. Ending carrying value	2,505,848,956.35	3,442,134,745.49	21,028,218.25	43,082,184.58	6,012,094,104.67

2. Beginning carrying value	2,288,880,729.71	3,397,759,733.51	22,521,597.51	39,400,324.62	5,748,562,385.35
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(2) Fixed Assets Leased out by Operation Lease

Unit: RMB

Item	Ending carrying value
Houses and buildings	1,056,351.97

(3) Fixed Assets Failed to Accomplish Certification of Property

Unit: RMB

Item	Carrying value	Reason
Lufeng weaving dye gray yarn warehouse	11,753,502.48	Under the relevant certificate procedures of acceptance, measurement, examination by the real estate trading center and other departments

Other notes:

Refer to Note VII-22 for fixed assets pledged.

15. Construction in Progress

Unit: RMB

Item	Ending balance	Beginning balance
Construction in progress	165,841,680.32	244,493,960.75
Engineering materials	234,393,389.69	92,736,685.67
Total	400,235,070.01	337,230,646.42

(1) Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciated on reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Reconstruction project of exhibition hall and office building				24,788,720.86		24,788,720.86
Reconstruction project of international business center and creative experience center						
Reform project of Xinsheng Thermal Power	2,837,138.88		2,837,138.88	12,145,265.65		12,145,265.65

Expansion project of Xinsheng Thermal Power (Phase II)	22,186,638.85		22,186,638.85	73,512,524.40		73,512,524.40
Heat supply engineering of Xinsheng Thermal Power						
Lu Thai (Vietnam) project				12,414,796.74		12,414,796.74
Spinning Phase II of Lu Thai (Vietnam) project				3,908,174.87		3,908,174.87
Yarn Dye Phase II of Lu Thai (Vietnam) project				83,880,726.83		83,880,726.83
Dormitory project of Lu Thai (Vietnam)	7,701,372.43		7,701,372.43			
Spinning project of Lu Thai Tan Chau	52,700,509.90		52,700,509.90			
Project of Lu An Garments				4,140,135.90		4,140,135.90
Functional Fabric Intelligent Ecological Park Project Phase I	56,365,451.33		56,365,451.33			
Other retails projects	24,050,568.93		24,050,568.93	29,703,615.50		29,703,615.50
Total	165,841,680.32		165,841,680.32	244,493,960.75		244,493,960.75

(2) Changes in Significant Construction in Progress during the Reporting Period

Unit: RMB

Item	Budget	Beginning balance	Increased amount	Transferred in fixed assets	Other decreased amount	Ending balance	Proportion of accumulated investment in constructions to budget	Job schedule	Accumulated amount of interest capitalization	Of which: amount of capitalized interests for the Reporting Period	Capitalization rate of interests for the Reporting Period	Capital resources
Reconstruction project of exhibition hall and office	27,420,000.00	24,788,720.86	6,473,382.82	31,262,103.68			100%	100%				Other

building												
Reconstruction project of international business center and creative experience center	15,740,000.00		15,407,996.69	15,407,996.69			100%	100%				Other
Reform project of Xinsheng Thermal Power	42,170,000.00	12,145,265.65	14,341,721.82	23,649,848.59		2,837,138.88	88%	88%				Other
Expansion project of Xinsheng Thermal Power (Phase II)	110,690,000.00	73,512,524.40	48,295,335.97	99,621,221.52		22,186,638.85	110%	98%				Other
Heat supply engineering of Xinsheng Thermal Power	10,500,000.00	9,025,279.89	1,453,235.24	10,478,515.13			100%	100%				Other
Lu Thai (Vietnam) project	242,282,300.00	12,414,796.74	32,876,314.63	45,291,111.37			100%	100%				Other
Spinning Phase II of Lu Thai (Vietnam) project	52,750,000.00	3,908,174.87	12,088,923.04	15,997,097.91			100%	100%				Other
Yarn Dye Phase II of Lu Thai (Vietnam) project	110,300,000.00	83,880,726.83	49,512,589.57	133,393,316.40			100%	100%				Other
Dormitory	21,626,200.00		7,701,372.40			7,701,372.40	36%	36%				Other

project of Lu Thai (Vietnam)	00		3			3						
Spinning project of Lu Thai Tan Chau	153,470,000.00		127,458,343.28	74,757,833.38		52,700,509.90	83%	83%				Other
Project of Lu An Garments	93,035,700.00	4,140,135.90	5,116,013.77	9,256,149.67			100%	100%				Other
Functional Fabric Intelligent Ecological Park Project Phase I	217,211,000.00		56,365,451.33			56,365,451.33	26%	26%				Other
Other retails projects		20,678,335.61	16,854,021.52	13,481,788.20		24,050,568.93						Other
Total	1,097,195,200.00	244,493,960.75	393,944,702.11	472,596,982.54		165,841,680.32	--	--				--

(3) Engineering Materials

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserves	Carrying value	Carrying amount	Depreciation reserves	Carrying value
Special equipment	234,393,389.69	0.00	234,393,389.69	92,736,685.67	0.00	92,736,685.67
Total	234,393,389.69	0.00	234,393,389.69	92,736,685.67	0.00	92,736,685.67

Other notes::

16. Intangible Assets

(1) List of Intangible Assets

Unit: RMB

Item	Land use right	Patent right	Software use rights	Brand use rights	Total
I. Original carrying value					

1. Beginning balance	580,757,501.63	1,985,176.47	9,710,689.79	300,000.00	592,753,367.89
2. Increased amount of the period	53,620,516.95		1,842,296.90		55,462,813.85
(1) Purchase	53,620,516.95		1,842,296.90		55,462,813.85
(2) Internal R&D					
(3) Business combination increase					
3. Decreased amount of the period	1,143,899.31		5,592,639.42		6,736,538.73
(1) Disposal					
(2) Invalid and recognition terminated portion	1,143,899.31		5,592,639.42		6,736,538.73
4. Ending balance	633,234,119.27	1,985,176.47	5,960,347.27	300,000.00	641,479,643.01
II. Accumulated amortization					
1. Beginning balance	106,250,709.40	1,621,227.72	6,072,366.32	120,000.00	114,064,303.44
2. Increased amount of the period	14,016,098.04	198,517.68	3,427,743.43	30,000.00	17,672,359.15
(1) Withdrawal	14,016,098.04	198,517.68	3,427,743.43	30,000.00	17,672,359.15
3. Decreased amount of the period	1,143,899.31		5,592,639.42		6,736,538.73
(1) Disposal	1,143,899.31		5,592,639.42		6,736,538.73
4. Ending balance	119,122,908.13	1,819,745.40	3,907,470.33	150,000.00	125,000,123.86
III. Depreciation reserves					
1. Beginning balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Ending balance					
IV. Carrying value					
1. Ending carrying value	514,111,211.14	165,431.07	2,052,876.94	150,000.00	516,479,519.15
2. Beginning carrying value	474,506,792.23	363,948.75	3,638,323.47	180,000.00	478,689,064.45

The proportion of intangible assets formed from the internal R&D of the Company at the Period-end to the ending balance of intangible assets was 0.00%.

17. R&D Expense

Unit: RMB

Item	Beginning balance	Increase		Decrease		Ending balance
		Internal R&D expense	Other	Recognized as intangible assets	Transferred into the current profit or loss	

R&D of products		316,575,474.85			316,575,474.85	
Total		316,575,474.85			316,575,474.85	

Other notes:

18. Goodwill

(1) Original Carrying Value of Goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Beginning balance	Increase	Decrease	Ending balance
		Formed by business combination	Disposal	
Xinsheng Power	20,563,803.29			20,563,803.29
Helijie	50,000.00		50,000.00	
Total	20,613,803.29		50,000.00	20,563,803.29

19. Long-term Prepaid Expense

Unit: RMB

Item	Beginning balance	Increased amount	Amortization amount of the period	Other decreased amount	Ending balance
Land contracting fee of Xinjiang Lu Thai	25,607,423.92		1,086,219.00		24,521,204.92
Decoration fee	672,679.41	174.53	186,446.25		486,407.69
Land rent of overseas subsidiaries	92,846,304.38	38,223,836.99	3,046,500.19		128,023,641.18
Total	119,126,407.71	38,224,011.52	4,319,165.44		153,031,253.79

Other notes:

20. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets Had Not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets

Provision for impairment of assets	180,480,880.04	29,370,310.33	169,477,066.74	27,322,107.95
Internal unrealized profit	123,500,857.32	14,085,213.14	130,892,601.80	16,151,715.20
Deductible losses	31,584,302.32	5,600,742.22	16,532,477.30	2,479,871.60
One-time listed decoration expenses	3,496,364.02	874,091.01	4,140,492.30	1,035,123.08
Payroll payable	140,654,344.00	21,198,255.31	122,397,245.35	18,458,763.12
Deferred income	157,668,211.41	24,986,231.71	140,183,446.39	22,457,708.11
Changes in fair value of other non-current financial assets	21,282,600.00	3,192,390.00		
Changes in fair value of trading financial liabilities			4,877,600.00	731,640.00
Total	658,667,559.11	99,307,233.72	588,500,929.88	88,636,929.06

(2) Deferred Income Tax Liabilities Had not Been Off-set

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	349,845,317.15	55,676,007.33	162,016,488.25	25,838,853.38
Internal unrealized profit	10,805,075.00	1,620,761.25	13,996,286.66	2,099,443.00
Changes in fair value of trading financial assets	2,356,098.85	353,414.83		
Changes in fair value of other non-current financial assets	231,934,500.00	34,790,175.00		
Changes in fair value of available-for-sale financial asset			612,000.00	91,800.00
Total	594,940,991.00	92,440,358.41	176,624,774.91	28,030,096.38

(3) List of Unrecognized Deferred Income Tax Assets

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference	19,823,624.86	9,323,059.10
Deductible losses	23,728,086.37	26,603,299.43
Total	43,551,711.23	35,926,358.53

(4) Deductible Losses of Unrecognized Deferred Income Tax Assets will Due in the Following Years

Unit: RMB

Years	Ending amount	Beginning amount	Notes
Y2019		451,833.98	
Y2020	13,393,727.33	16,714,120.30	
Y2021	4,250,703.45	4,250,703.45	
Y2022	3,730,297.90	3,730,297.90	
Y2023			
Y2024	2,353,357.69		
Total	23,728,086.37	25,146,955.63	--

21. Other Non-current Assets

Whether the Company has already implemented the new revenue standards

 Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Prepayment for equipment	18,841,918.62	17,275,143.10
Prepayment for land		1,996,937.00
Prepayment for land rental		23,828,135.77
Total	18,841,918.62	43,100,215.87

22. Short-term Borrowings**(1) Category of Short-term Borrowings**

Unit: RMB

Item	Ending balance	Beginning balance
Mortgage loan	309,422,409.94	450,000,000.00
Guaranteed loan	479,189,664.03	250,108,063.34
Credit loan	1,331,542,256.64	625,165,716.71
Total	2,120,154,330.61	1,325,273,780.05

Notes of the category for short-term loans:

(1) As of 31 December 2019, the Company's subsidiary Xinjiang Lu Thai pledged the inventory with carrying value of RMB82,322,676.24, fixed assets with carrying value of RMB3,718,559.83, land use rights with carrying value of RMB111,926,333.18 and guarantee deposit of RMB14,000,000.00 for bank short-term borrowing of RMB309,000,000.00.

(2) The guaranteed loan at the period-end was the guarantee provided to the bank loan of the subsidiary Lu Thai (Vietnam) by the

Company. Refer to Note XIII-2 for details.

(3) The short-term borrowings include interest payable of RMB8,846,818.47.

23. Trading Financial Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Trading financial liabilities		4,877,600.00
Of which:		
Derivative financial liabilities		4,877,600.00
Total		4,877,600.00

24. Notes Payable

Unit: RMB

Item	Ending balance	Beginning balance
Trade acceptance	848,873.48	502,347.05
Bank's acceptance bill	84,370,851.15	
Total	85,219,724.63	502,347.05

The total overdue but unpaid notes payable at the period-end were RMB0.00.

25. Accounts Payable

(1) List of Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	159,191,179.02	237,111,166.13
Engineering equipment	135,578,852.63	106,527,421.37
Other	10,576,253.29	9,547,576.40
Total	305,346,284.94	353,186,163.90

26. Advances from Customers

Whether the Company has already implemented the new revenue standards

Yes No

(1) List of Advances from Customers

Unit: RMB

Item	Ending balance	Beginning balance
Payment for goods	108,783,148.03	105,562,378.66
Total	108,783,148.03	105,562,378.66

27. Payroll Payable

(1) List of Payroll Payable

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
I. Short-term salary	325,972,145.10	1,511,863,877.16	1,510,733,895.39	327,102,126.87
II. Post-employment benefit-defined contribution plans	26,065.07	178,597,416.64	170,149,048.22	8,474,433.49
Total	325,998,210.17	1,690,461,293.80	1,680,882,943.61	335,576,560.36

(2) List of Short-term Salary

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Salary, bonus, allowance, subsidy	268,788,698.76	1,320,987,528.68	1,322,385,707.81	267,390,519.63
2. Employee welfare		63,378,199.61	63,378,199.61	
3. Social insurance	37,292.13	86,797,471.93	86,348,430.67	486,333.39
Of which: 1. Medical insurance premiums	29,466.69	69,187,804.59	69,195,353.52	21,917.76
Work-related injury insurance	6,291.48	8,648,350.42	8,190,226.27	464,415.63
Maternity insurance	1,533.96	8,961,316.92	8,962,850.88	
4. Housing fund		16,765,003.10	16,765,003.10	
5. Labor union budget and employee education budget	57,146,154.21	23,935,673.84	21,856,554.20	59,225,273.85
Total	325,972,145.10	1,511,863,877.16	1,510,733,895.39	327,102,126.87

(3) List of Defined Contribution Plans

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
1. Basic pension benefits	25,019.49	170,961,313.12	162,867,195.06	8,119,137.55
2. Unemployment insurance	1,045.58	7,636,103.52	7,281,853.16	355,295.94
Total	26,065.07	178,597,416.64	170,149,048.22	8,474,433.49

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 16% and 0.7% 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

Item	Ending balance	Beginning balance
VAT	3,285,763.29	4,057,605.21
Corporate income tax	4,184,737.55	18,491,849.09
Personal income tax	714,935.78	1,279,197.68
Urban maintenance and construction tax	4,805,486.91	5,509,392.03
Stamp tax	423,497.30	187,822.50
Property tax	4,802,550.30	4,684,717.85
Land use tax	2,477,984.56	4,215,720.49
Education surcharge	2,128,521.32	2,381,414.25
Local education surcharge	1,419,014.22	1,587,021.34
Local water conservancy facility construction fund	342,756.22	394,952.66
Resource tax	116,530.00	154,200.00
Environmental protection tax	349,852.61	612,930.65
Total	25,051,630.06	43,556,823.75

Other notes:

29. Other Accounts Payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable		3,068,841.54
Dividends payable	441,113.64	441,113.64
Other payables	104,541,075.76	212,437,032.50
Total	104,982,189.40	215,946,987.68

(1) Interest Payable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable on short-term borrowings		3,068,841.54
Total		3,068,841.54

(2) Dividends Payable

Unit: RMB

Item	Ending balance	Beginning balance
Dividends payable to individual shareholders	441,113.64	441,113.64
Total	441,113.64	441,113.64

Other notes: including significant dividends payable unpaid for over one year, the unpaid reason shall be disclosed:

Name	Amount	Reason
Dividends payable to individual shareholders	441,113.64	Cash dividend of previous year not received by individual shareholders
Total	441,113.64	--

(3) Other Accounts Payable

1) Other Accounts Payable Listed by Nature of Account

Unit: RMB

Item	Ending balance	Beginning balance
Deposits and cash deposits etc.	19,949,169.11	19,035,286.49
Collecting payment on behalf of others	22,312,587.01	18,288,047.56
Intercourse funds	51,201,798.22	165,655,961.20
Other	11,077,521.42	9,457,737.25
Total	104,541,075.76	212,437,032.50

2) Significant Other Accounts Payable Aging over One Year

Unit: RMB

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

30. Non-current Liabilities Due within One Year

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within one year	101,111,297.49	
Total	101,111,297.49	

31. Long-term Borrowings**(1) Category of Long-term Borrowings**

Unit: RMB

Item	Ending balance	Beginning balance
Guarantee loan	143,475,317.23	170,019,083.89
Less: long-term borrowings due within one year	-101,111,297.49	
Total	42,364,019.74	170,019,083.89

Note to the category of long-term borrowings:

(1) The guarantee loan was the guarantee provided to the bank loan of the subsidiary Lu Thai (Vietnam) by the Company. Refer to Note XIII-2 for details.

(2) The long-term borrowings include interest payable of RMB506,819.74.

Other notes: including interest rate interval:

Item	Ending balance	Interest rate interval (%)	Beginning balance	Interest rate interval (%)
Guarantee loan	143,475,317.23	3.27-3.80	170,019,083.89	1.50-3.81

32. Long-term Payroll Payable**(1) List of Long-term Payroll Payable**

Unit: RMB

Item	Ending balance	Beginning balance
III. Other long-term welfare	105,589,249.56	96,958,178.53
Total	105,589,249.56	96,958,178.53

33. Deferred Income

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance	Reason for formation
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Government subsidies	140,077,843.35	31,097,600.00	13,533,632.70	157,641,810.65	Government subsidies
Unrealized financing incomes	105,603.04		79,202.28	26,400.76	Finance lease
Total	140,183,446.39	31,097,600.00	13,612,834.98	157,668,211.41	--

Item involving government subsidies:

Unit: RMB

Item	Beginning balance	Amount of newly subsidy	Amount recorded into non-operating income in the Reporting Period	Amount recorded into other income in the Reporting Period	Amount offset cost in the Reporting Period	Other changes	Ending balance	Related to assets/related income
Land	57,872,611.45			1,393,157.88			56,479,453.57	Related to the assets
Equipment	61,790,767.51	22,347,600.00		4,962,872.19			79,175,495.32	Related to the assets
Production living assets	558,000.08			132,999.96			425,000.12	Related to the assets
Overseas investment	500,000.00						500,000.00	Related to the assets
R&D	5,262,000.00	4,750,000.00					10,012,000.00	Related to the income
public rental housing	1,237,942.13			48,231.48			1,189,710.65	Related to the assets
Transformation of garden greens	12,856,522.18	4,000,000.00		6,996,371.19			9,860,150.99	Related to the income
Total	140,077,843.35	31,097,600.00		13,533,632.70			157,641,810.65	

34. Other Non-current Liabilities

Whether the Company has already implemented the new revenue standards

Yes No

Unit: RMB

Item	Ending balance	Beginning balance
Loan project	1,840,000.00	1,840,000.00
Total	1,840,000.00	1,840,000.00

35. Share Capital

Unit: RMB

	Beginning balance	Increase/decrease (+/-)					Ending balance
		New shares issued	Bonus shares	Bonus issue from profit	Other	Subtotal	
The sum of shares	922,602,311.00				-64,480,770.00	-64,480,770.00	858,121,541.00

Other notes:

Refer to Note VII-37 for changes of share capital. Ruihua Accounting Firm LLP has inspected the above changes of share capital and has issued the Capital Verification Report (RHYZ [2019] 37010001).

36. Capital Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Capital premium (premium on stock)	640,470,910.34		442,861,264.14	197,609,646.20
Other capital reserves	59,022,737.14	1,413,862.08		60,436,599.22
Total	699,493,647.48	1,413,862.08	442,861,264.14	258,046,245.42

Other notes: including increase and decrease in the Reporting Period and the reasons for changes:

- (1) Refer to Note VII-37 for the reason for the decrease of RMB442,630,569.04 in capital reserves.
- (2) The capital reserves decreased RMB230,695.10, which was resulted from the acquisition of minority shareholding in the subsidiary Beijing Youxian. The difference between the cost of newly-acquired long-term equity investment and the share of net identifiable assets which the subsidiary shall enjoy calculated continuously from the purchase date according to the proportion of newly-increased shareholding ratio, and the capital reserves-capital premium was adjusted to reduce RMB230,695.10.

37. Treasury Shares

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Shares of the Company repurchased and not canceled	486,922,944.94	20,188,394.10	507,111,339.04	
Total	486,922,944.94	20,188,394.10	507,111,339.04	

Other notes: including increase and decrease in the Reporting Period and the reasons for changes:

The 2nd Extraordinary General Meeting held on 23 March 2018 has approved the Proposal on Repurchase of Partial B Shares of the Company, and the Company has repurchased 64.4808 million shares of domestically listed foreign stock (B share). The Company repurchased HKD594,671,866.13 of domestically listed foreign stock (B share) through currency, among which converted to RMB507,111,339.04 according to the exchange rate on the repurchase date and was accounted into treasury shares, while the share capital was reduced RMB64,480,770.00 and RMB442,630,569.04 of capital reserves-capital premium due to the deregistration of

treasury shares.

38. Other Comprehensive Income

Unit: RMB

Item	Beginning balance	Reporting Period						Ending balance
		Income before taxation in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in profit or loss in the Current Period	Less: recorded in other comprehensive income in prior period and transferred in retained earnings in the Current Period	Less: Income tax expense	Attributable to owners of the Company as the parent after tax	Attributable to non-controlling interests after tax	
II. Other comprehensive income that may subsequently be reclassified to profit or loss	60,636,813.37	30,989,758.38				30,989,758.38		91,626,571.75
Differences arising from translation of foreign currency-denominated financial statements	60,636,813.37	30,989,758.38				30,989,758.38		91,626,571.75
Total of other comprehensive income	60,636,813.37	30,989,758.38				30,989,758.38		91,626,571.75

39. Surplus Reserves

Unit: RMB

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	1,020,955,607.30	92,970,171.75		1,113,925,779.05
Discretionary surplus reserves	3,341,572.58			3,341,572.58
Total	1,024,297,179.88	92,970,171.75		1,117,267,351.63

Notes, including increase and decrease in the Reporting Period and the reasons for changes:

According to the Company Law and Articles of Association, the Company has withdrawn the statutory surplus reserves on the basis

of 10% of net profit.

40. Retained Profits

Unit: RMB

Item	Reporting Period	Same period of last year
Beginning balance of retained profits before adjustments	4,927,500,989.55	4,629,102,712.06
Total beginning retained profits of the adjustments (“+” for increase, “-” for decrease)	14,217,556.33	
Beginning balance of retained profits after adjustments	4,941,718,545.88	4,629,102,712.06
Add: Net profit attributable to owners of the Company as the parent	952,386,011.49	811,526,477.83
Less: Withdrawal of statutory surplus reserves	92,970,171.75	59,783,872.34
Dividend of ordinary shares payable	429,060,770.50	453,344,328.00
Ending retained profits	5,372,073,615.12	4,927,500,989.55

List of adjustment of beginning retained profits:

- 1) RMB0.00 beginning retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB14,217,556.33 beginning retained profits was affected by changes in accounting policies.
- 3) RMB0.00 beginning retained profits was affected by correction of significant accounting errors.
- 4) RMB0.00 beginning retained profits was affected by changes in combination scope arising from same control.
- 5) RMB0.00 beginning retained profits was affected totally by other adjustments.

41. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	6,443,826,769.74	4,546,632,402.14	6,521,949,742.58	4,623,882,060.39
Other operations	357,554,679.20	243,972,703.22	357,109,071.35	237,561,182.56
Total	6,801,381,448.94	4,790,605,105.36	6,879,058,813.93	4,861,443,242.95

Whether there is a single disposal of the investment to the subsidiary and lost control?

Yes No

42. Taxes and Surtaxes

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	25,271,252.17	33,944,678.18
Education Surcharge	11,887,442.41	15,139,056.40
Resources tax	508,120.00	509,654.00
Property tax	21,199,584.04	20,677,064.40
Land use tax	10,165,968.52	18,336,178.97
Vehicle and vessel usage tax	109,001.08	119,478.40
Stamp duty	4,349,998.90	3,530,606.51
Local education surcharge	7,924,176.74	10,091,063.11
Local water conservancy facility construction fund	1,799,843.58	2,443,114.17
Environmental protection tax	1,325,659.75	2,172,732.41
Total	84,541,047.19	106,963,626.55

Other notes:

43. Selling Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	43,003,351.19	41,280,390.85
Transport fees	50,103,517.38	45,652,493.32
Advertising expense	17,019,745.40	14,493,972.68
Port surcharge	15,030,918.96	13,502,640.80
Depreciation charge	5,373,475.36	5,106,206.04
Sales service fee	10,733,270.44	12,086,904.35
Business travel charges	5,770,588.96	3,965,930.06
Insurance expense	2,828,274.19	1,752,795.53
Business entertainment expenses	2,434,900.79	2,112,240.32
Office expense	2,142,542.55	1,497,611.34
Other	13,786,479.61	16,654,998.45
Total	168,227,064.83	158,106,183.74

44. Administrative Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Salary	166,606,510.52	150,178,467.11
Depreciation charge	35,449,735.39	28,922,673.45
Warehouse funding	36,066,865.72	31,869,397.11
Travel expense	24,392,736.36	23,001,296.54
Labor cost	14,801,512.54	3,143,515.49
Rental charges	14,442,720.27	14,398,948.38
Labor-union expenditure	14,568,596.20	15,600,583.68
Employee education budget	10,906,172.69	11,186,186.88
Amortization of intangible assets	13,395,982.64	12,954,322.84
Vehicle costs	8,687,963.57	10,436,445.11
Office expense	7,736,881.70	8,060,077.81
Other	89,115,978.70	81,159,848.87
Total	436,171,656.30	390,911,763.27

45. R&D Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Labor cost	151,148,710.58	135,380,494.55
Material expense	122,619,853.38	119,832,589.83
Depreciation charge	16,037,122.69	10,069,125.27
Other	26,769,788.20	24,112,882.93
Total	316,575,474.85	289,395,092.58

46. Finance Costs

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expense	91,643,124.97	57,300,653.51
Less: Capitalized interest		
Less: Interest income	10,146,938.67	17,925,826.14
Foreign exchange gains or losses	5,156,692.19	2,055,009.44

Less: Capitalized foreign exchange gains or losses		
Commission charge and other	9,526,838.13	7,349,843.50
Total	96,179,716.62	48,779,680.31

47. Other Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Freight allowance of cotton yarn	11,826,172.27	7,194,091.44
Transformation subsidy of garden greens	6,996,371.19	6,970,977.82
Post subsidies	5,973,681.00	3,755,585.00
Subsidy of "Six Articles in Developing Local Enterprises" in 2018	3,493,500.00	
Social insurance subsidy	3,991,156.60	4,750,695.91
Electricity fee subsidy	3,103,439.88	2,030,064.06
Employment increase subsidy in 2017 and 2018	2,775,000.00	
Reward of demonstration enterprise in single item	2,000,000.00	
Subsidy for leading persons project of Mount Tai industry	2,170,000.00	1,400,000.00
Social insurance subsidy for admission of persons with employment difficulties in 2019	1,633,560.80	
Preferential policy subsidy of developing local enterprises	1,400,000.00	
Subsidy of central foreign trade development in 2018	1,293,700.00	
Subsidies for transferring Xinjiang cotton yarn out of Xinjiang	1,034,400.00	464,400.00
Provincial subsidy for quality and efficiency improvement and energy conservation in 2018	1,000,000.00	
Provincial subsidy for technology development and innovation in 2019	1,000,000.00	
Subsidy of 30 Articles of strengthening counties by industry	500,000.00	
Subsidy for technology development and innovation	400,000.00	
Return on taxes and commission charges on behalf	374,835.70	610,075.60
Probation subsidy of youth	368,725.50	
New apprenticeship subsidy for 2019	360,000.00	
Subsidy for pre-job training in textile and garment enterprises	338,400.00	
Fund of municipal-level talents introduce major project	300,000.00	

Reward of innovation in science and technology conference of 2017	300,000.00	
Special fund for energy conservation and consumption reduction	300,000.00	
Reward for science and technology in Shandong in 2018	300,000.00	
R&D subsidy	262,000.00	
Provincial subsidy of 2019 international market expansion	238,000.00	
Subsidy of innovation and development of technology in 2019	215,500.00	
Subsidy of enterprise management and consulting	200,000.00	
Talent matching subsidy for 2016 talent plan	200,000.00	
Talent support subsidy	200,000.00	
R&D subsidies for enterprises in 2019	158,000.00	
Export credit insurance subsidy	127,700.00	
Special fund for top 30 industries	100,000.00	
Subsidy for quality and efficiency improvement of industry and energy conservation in 2018	100,000.00	
Subsidy of technician workstation of Shandong province in 2019	100,000.00	
Subsidy of municipal industrial design center	100,000.00	
Subsidy of high-value patent in Zibo	100,000.00	
Subsidy of job probation	64,860.00	
Reward of Shandong provincial science popularization and education base in 2019	50,000.00	
Subsidy of Banyang Talents Plan	40,000.00	
Special subsidies for foreign trade and economic development	25,400.00	
Subsidy of patent creation	20,000.00	
The third batch of patent subsidy funds of Shandong province in 2018	6,000.00	
Subsidies for patent creation in the second half of 2018	6,000.00	
Unemployment dynamic monitoring subsidy	1,200.00	
Job subsidies for enterprises in 2018		5,551,940.00
Sludge subsidies		5,503,600.00
Reward for technical center		2,000,000.00
Subsidy of national industrial design center		2,000,000.00

Subsidies for the cultivation of international independent brands		1,700,000.00
Subsidy of housing resettlement and relocation		1,617,000.95
Social security and job subsidies for admission of persons with employment difficulties		1,042,819.75
Government subsidies for pre-job training		835,290.56
Energy optimization subsidy for thermal energy system in fabric finishing process		785,700.00
Subsidies for CCTV exhibition and broadcast		700,000.00
Special subsidy for the development of agricultural industrialization		600,000.00
Export credit insurance premium subsidy		557,400.00
Research and industrialization subsidy of cotton energy conservation and heat-resistant garments		500,000.00
Subsidy of high-yield and high-efficiency cotton green project subsidy		500,000.00
Development and research fund of high quality raw dye fabric		400,000.00
Subsidy of fabric industrial chain production integration system		350,000.00
Special subsidies for improving enterprise management		304,450.00
Subsidy for energy conservation assessment outstanding enterprise of 2016 in Zibo		300,000.00
Reward for 2018 science and technology innovation		300,000.00
Subsidy for college and technical secondary school graduates		300,000.00
Subsidies for informatization plan project		240,000.00
Subsidy of Zibo Talents Plan		200,000.00
Talent matching subsidy of the talents plan in 2016		200,000.00
Talent matching subsidy of the talents plan in 2017		200,000.00
Reward of leading enterprises in export		150,000.00
Subsidy of promotion of TBS Toyota production mode		150,000.00
Municipal-level patent subsidies in 2018		140,000.00
Subsidies for liquid membrane separation of dyeing wastewater and upgrading of sewage station		117,200.00
Subsidy of 3D marketing system design and marketing value chain distribution consulting project		110,000.00

Subsidy of development and industrial application in pure cotton free press digital ink-jet printing fabric		100,000.00
Subsidy of foreign experts program		100,000.00
Reward of science and technology Shandong		100,000.00
Subsidies for Shandong technician workstation in 2018		100,000.00
Subsidy of French textile fabric auxiliary exhibition subsidy		40,000.00
Subsidies for international market development project		30,000.00
“Qilu Cup” industrial design competition award in Zibo		30,000.00
Provincial subsidy for international market development in 2018		26,000.00
Subsidies for international market development project		23,200.00
Subsidy of international general qualification certification		22,000.00
Subsidy of Vietnam Ho Chi Minh textile and garment industry exhibition		21,300.00
Support subsidy of talents plan		20,000.00
Subsidy of textile and clothing industry exhibition		14,200.00
Subsidy of fabric accessories exhibition		12,000.00
Subsidy of new commercial activities project in foreign trade		10,600.00
2017 “Textile Light” science and technology education award		10,000.00
Subsidy of upgradation project of material classification code and standardization management		10,000.00
Subsidies for service trade development projects		10,000.00
Subsidies for people with employment difficulties		7,321.52
Subsidy of Asia international textile machinery and accessories exhibition		5,400.00
Reward of water saving enterprise in 2018 in Shandong		3,000.00
Reward of water saving enterprise		3,000.00
special fund of municipal patent development in 2017		2,000.00
Unemployment dynamic monitoring subsidy		1,200.00
Intelligent dyeing production and energy and water conservation renovation projects	1,535,378.28	1,124,534.92
Land subsidies	1,463,797.56	1,393,157.88
Subsidy of green power	1,022,818.80	1,022,818.80
Technical improvement project of bobbin yarn dyeing	593,406.60	593,406.60

digital workshop		
Recycled water reuse project	451,376.16	300,917.44
Low-torque high energy-saving and high-quality new spinning projects	349,473.60	349,473.60
Subsidy for investment in technical renovation equipment	326,834.55	71,559.56
230,000 spinnings and 35,000 double twist production projects		
Production line project of 1.8 million meters of high-grade jacquard fabric	222,607.08	222,607.08
Intelligent dyeing production and energy and water conservation technology renovation project		
Hu sheep subsidies	132,999.96	132,999.96
Technical transformation project of high grade yarn-dyed fabric	112,144.32	112,144.32
Subsidies for ultra-low emission technical upgrading projects	105,109.44	105,109.44
Support funds for sewage treatment and reuse of recycled water	103,083.72	103,083.72
Subsidy of cotton seed reproduction	69,999.96	69,999.96
Subsidy for public rental housing	48,231.48	12,057.87
Total	62,084,864.45	60,846,383.76

48. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	7,671,490.10	-1,518,268.37
Investment income from disposal of long-term equity investment	-50,000.00	
Investment income from holding of trading financial assets	4,875,806.53	
Investment income from disposal of trading financial assets	9,286,599.42	
Investment income from holding of available-for-sale financial assets		6,069,367.03
Investment income from disposal of financial assets (liabilities) at fair value through profit or loss		-64,824,373.70
Total	21,783,896.05	-60,273,275.04

49. Gain on Changes in Fair Value

Unit: RMB

Sources	Reporting Period	Same period of last year
Trading financial assets	236,660,082.90	
Trading financial liabilities	4,877,600.00	
Financial liabilities at fair value through profit or loss		-4,877,600.00
Total	241,537,682.90	-4,877,600.00

50. Credit Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
Bad debt loss of other receivables	217,949.70	
Bad debt loss of long-term receivables	-227,847.00	
Bad debt loss of accounts receivable	-11,737,135.92	
Total	-11,747,033.22	

51. Asset Impairment Loss

Whether there is a single disposal of the investment to the subsidiary and lost control?

 Yes No

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss		-2,283,637.20
II. Inventory falling price loss	-71,705,103.35	-41,995,150.04
VII. Impairment loss on fixed assets	-19,611,885.46	-13,249,549.80
Total	-91,316,988.81	-57,528,337.04

52. Asset Disposal Income

Unit: RMB

Sources	Reporting Period	Same period of last year
Fixed asset disposal income (“-” for loss)	186,123.30	4,525,108.75
Intangible asset disposal income (“-” for loss)		3,301,874.63
Total	186,123.30	7,826,983.38

53. Non-operating Income

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Government subsidies	84,000.00	290,000.00	84,000.00
Claim income	3,745,565.50	4,829,787.20	3,745,565.50
Other	4,004,162.70	5,532,451.36	4,004,162.70
Total	7,833,728.20	10,652,238.56	7,833,728.20

Government subsidies recorded into current profit or loss:

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related to income
Reward for excellent performance management		Reward		Not	Not	84,000.00	290,000.00	Related to income

54. Non-operating Expense

Unit: RMB

Item	Reporting Period	Same period of last year	Amount recorded in the current non-recurring profit or loss
Donations	6,979,965.96	1,123,744.69	6,979,965.96
Losses from damage and scrap of non-current assets	1,332,357.24	3,020,637.43	1,332,357.24
Other	3,626,903.45	6,454,472.53	3,626,903.45
Total	11,939,226.65	10,598,854.65	11,939,226.65

55. Income Tax Expense**(1) List of Income Tax Expense**

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	87,215,574.12	100,214,613.83

Deferred income tax expense	50,962,179.98	11,098,577.57
Total	138,177,754.10	111,313,191.40

(2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Profit before taxation	1,127,504,430.01
Current income tax expense accounted at statutory/applicable tax rate	169,125,664.50
Influence of applying different tax rates by subsidiaries	-4,419,756.89
Influence of income tax before adjustment	553,077.27
Influence of non-taxable income	-7,209,092.56
Influence of not deductible costs, expenses and losses	8,861,763.39
Influence of deductible losses of unrecognized deferred income tax assets at the beginning of the Reporting Period	-1,621,866.29
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets at the beginning of the Reporting Period	588,339.43
Profit/loss of associated enterprises and joint ventures accounted by equity method	-1,150,723.52
Influence of additional deduction of R&D expenses (filled in with “-”)	-23,291,903.05
Influence of other expense deduction (filled in with “-”)	-479,970.79
Other	-2,777,777.39
Income tax expense	138,177,754.10

56. Cash Flow Statement

(1) Cash Generated from Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Government subsidies	79,762,831.75	77,020,849.15
Claim income	3,168,466.05	3,936,691.83
Recovery of employee borrowings, petty cash and deposit	26,413,312.84	13,896,229.53
Collection for employees	5,817,182.28	7,574,231.79
Other	356,669.05	7,992,121.11
Total	115,518,461.97	110,420,123.41

(2) Cash Used in Other Operating Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Freight and miscellaneous charges	61,879,244.81	62,091,418.60
Rental charges	17,904,770.64	20,722,534.75
Advertising expense	3,401,127.88	1,460,237.64
Business travel charges	28,404,922.29	28,898,308.10
Insurance	3,431,292.03	4,892,563.92
Audit advisory announcement fee	3,223,952.59	7,092,869.11
Decoration & repair expenses	2,719,362.09	7,474,700.27
Donation	6,979,965.96	1,123,744.69
Pre-payment	1,316,920.07	17,052,070.00
Payment of employee borrowings, petty cash and deposit	33,233,609.55	27,292,704.63
Other	75,686,440.24	74,876,384.98
Total	238,181,608.15	252,977,536.69

(3) Cash Generated from Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Interest income	8,195,787.89	17,685,395.06
Income from forward foreign exchange	14,448,291.14	8,376,097.80
Cash deposit of L/C for purchasing equipment		1,200,000.00
Option cost		11,200.00
Total	22,644,079.03	27,272,692.86

(4) Cash Used in Other Investing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Forward settlement exchange loss	5,161,691.72	73,302,671.50
Intercourse funds payment	4,816,368.48	
Payment of deposit for the L/C of equipment purchase	28,897,270.77	295,288.20
Total	38,875,330.97	73,597,959.70

(5) Cash Generated from Other Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Return of loan guarantees	10,000,000.00	16,000,000.00
Recovery of intercourse accounts	100,000,000.00	78,300,000.00
Total	110,000,000.00	94,300,000.00

(6) Cash Used in Other Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
Payment of the B-share buy-back amount	8,573,104.03	498,538,235.01
Guarantee deposit pledged	14,000,000.00	10,000,000.00
Payment for intercourse accounts	224,870,000.00	16,449,300.16
Acquisition of minority equity of subsidiaries	841,000.00	
Total	248,284,104.03	524,987,535.17

57. Supplemental Information for Cash Flow Statement**(1) Supplemental Information for Cash Flow Statement**

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	989,326,675.91	858,193,572.10
Add: Provision for impairment of assets	103,064,022.03	57,528,337.04
Depreciation of fixed assets, oil-gas assets, and productive living assets	464,235,593.86	420,110,878.01
Amortization of intangible assets	17,672,359.15	19,107,405.53
Amortization of long-term prepaid expenses	4,319,165.44	4,107,499.91
Losses from disposal of fixed assets, intangible assets and other long-lived assets (gains: negative)	-186,123.30	-23,691,064.85
Losses from scrap of fixed assets (gains: negative)	1,332,357.24	3,020,637.43
Losses from changes in fair value (gains: negative)	-241,408,682.90	4,877,600.00
Finance costs (gains: negative)	77,353,035.99	43,973,551.17
Investment loss (gains: negative)	-21,912,896.05	60,273,275.04

Decrease in deferred income tax assets (gains: negative)	-13,448,082.05	-13,939,769.35
Increase in deferred income tax liabilities (“-” means decrease)	64,410,262.03	25,125,196.92
Decrease in inventory (gains: negative)	-363,689,797.10	-6,771,906.97
Decrease in accounts receivable generated from operating activities (gains: negative)	-14,785,981.03	-87,641,526.60
Increase in accounts payable used in operating activities (decrease: negative)	19,828,666.29	66,067,977.78
Net cash generated from/used in operating activities	1,086,110,575.51	1,430,341,663.16
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Net increase/decrease of cash and cash equivalent:	--	--
Ending balance of cash	878,559,018.92	535,134,772.90
Less: beginning balance of cash	535,134,772.90	676,639,212.86
Net increase in cash and cash equivalents	343,424,246.02	-141,504,439.96

(2) Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	878,559,018.92	535,134,772.90
Including: Cash on hand	9,544,377.41	9,087,924.86
Bank deposit on demand	869,014,641.51	526,046,848.04
III. Ending balance of cash and cash equivalents	878,559,018.92	535,134,772.90

58. Assets with Restricted Ownership or Right to Use

Unit: RMB

Item	Ending carrying value	Reason for restriction
Monetary capital	44,187,163.06	Pledged for short-term borrowings, as cash deposit for L/G and L/C
Inventory	82,322,676.24	Mortgaged for short-term borrowings
Fixed assets	3,718,559.83	Mortgaged for short-term borrowings
Intangible assets	111,926,333.18	Mortgaged for short-term borrowings
Total	242,154,732.31	--

59. Foreign Currency Monetary Items

(1) Foreign Currency Monetary Items

Unit: RMB

Item	Ending foreign currency balance	Exchange rate	Ending balance converted to RMB
Monetary assets	--	--	
Of which: USD	81,979,682.84	6.9762	571,906,663.43
EUR	118,920.47	7.8155	929,390.25
HKD	24,895,895.49	0.8958	22,301,743.18
JPY	6,074,631.00	0.0641	389,383.85
GBP	3,517.18	9.1501	32,182.55
CHF	56,668.45	7.2028	408,171.51
SEK	800.00	0.7464	597.12
Dong	322,156,844,547.40	0.000301	96,976,624.59
MMK	151,020,902.87	0.00473	711,955.74
Riel	372,787,939.00	0.0017	638,194.71
Notes receivable			
Of which: USD	13,033,293.98	6.9762	90,922,865.46
Accounts receivable	--	--	
Of which: USD	52,699,362.53	6.9762	367,641,292.92
EUR	19,964.81	7.8155	156,034.97
HKD	29,573,151.00	0.8958	26,491,628.67
Dong	27,828,547,945.84	0.000301	8,376,391.69
Other receivables			
Of which: USD	63,506.04	6.9762	443,030.84
JPY	1,395,040.00	0.0641	89,422.06
Dong	21,310,599,972.16	0.000301	6,414,490.59
GBP	9,250.00	9.1501	84,638.43
Accounts payable			
Of which: USD	9,711,963.80	6.9762	67,752,601.86
HKD	8,948,999.00	0.8958	8,016,513.30
JPY	27,801,102.00	0.0641	1,782,050.64
EUR	119,633.71	7.8155	934,997.26

CHF	65,859.25	7.2028	474,371.01
Dong	8,516,157,352.88	0.000301	2,563,363.36
Other payables			
Of which: USD	86,280.00	6.9762	601,906.54
HKD	350,463.00	0.8958	313,944.76
Dong	228,590,000.00	0.000301	68,805.59
Short-term borrowings			
Of which: USD	174,420,816.07	6.9762	1,216,794,497.07
Dong	295,441,808,600.00	0.000301	88,934,788.40
Current portion of long-term borrowings			
Of which: USD	14,493,749.82	6.9762	101,111,297.49
Long-term borrowings	--	--	
Of which: USD	6,072,649.83	6.9762	42,364,019.74

(2) Notes to Overseas Entities Including: for Significant Overseas Entities, Main Operating Place, Recording Currency and Selection Basis Shall Be Disclosed; if there Are Changes in Recording Currency, Relevant Reasons Shall Be Disclosed.

√ Applicable □ Not applicable

The operating places of Company's subsidiaries Lu Thai (Hong Kong), Lu Thai (Cambodia), Lu Thai (Burma), Lu Thai (America), and Lu Thai (Vietnam), Lu An Garment Co., Ltd., and the sub-subsidiary Lu Thai Tan Chau were Hong Kong, Cambodia, Burma, America, Vietnam, Vietnam and Vietnam, and the recording currency was HKD for Lu Thai (Hong Kong), and USD for other overseas companies..

56. Government Subsidy

(1) Basic Information on Government Subsidy

Unit: RMB

Category	Amount	Listed items	Amount recorded in the current profit or loss
Equipment subsidy	22,347,600.00	Deferred income	
R&D subsidy	4,750,000.00	Deferred income	
Transformation subsidy of garden greens	4,000,000.00	Deferred income	
Freight allowance of cotton yarn	11,826,172.27	Other income	11,826,172.27
Post subsidies	5,973,681.00	Other income	5,973,681.00
Subsidy of "Six Articles in Developing Local	3,493,500.00	Other income	3,493,500.00

Enterprises" in 2018			
Social insurance subsidy	3,991,156.60	Other income	3,991,156.60
Electricity fee subsidy	3,103,439.88	Other income	3,103,439.88
Employment increase subsidy in 2017 and 2018	2,775,000.00	Other income	2,775,000.00
Reward of demonstration enterprise in single item	2,000,000.00	Other income	2,000,000.00
Subsidy for leading persons project of Mount Tai industry	2,170,000.00	Other income	2,170,000.00
Social insurance subsidy for admission of persons with employment difficulties in 2019	1,633,560.80	Other income	1,633,560.80
Preferential policy subsidy of developing local enterprises	1,400,000.00	Other income	1,400,000.00
Subsidy of central foreign trade development in 2018	1,293,700.00	Other income	1,293,700.00
Subsidies for transferring Xinjiang cotton yarn out of Xinjiang	1,034,400.00	Other income	1,034,400.00
Provincial subsidy for quality and efficiency improvement and energy conservation in 2018	1,000,000.00	Other income	1,000,000.00
Provincial subsidy for technology development and innovation in 2019	1,000,000.00	Other income	1,000,000.00
Subsidy of 30 Articles of strengthening counties by industry	500,000.00	Other income	500,000.00
Subsidy for technology development and innovation	400,000.00	Other income	400,000.00
Return on taxes and commission charges on behalf	374,835.70	Other income	374,835.70
Probation subsidy of youth	368,725.50	Other income	368,725.50
New apprenticeship subsidy for 2019	360,000.00	Other income	360,000.00
Subsidy for pre-job training in textile and garment enterprises	338,400.00	Other income	338,400.00
Fund of municipal-level talents introduce major project	300,000.00	Other income	300,000.00
Reward of innovation in science and technology conference of 2017	300,000.00	Other income	300,000.00
Special fund for energy conservation and consumption reduction	300,000.00	Other income	300,000.00
Reward for science and technology in Shandong in 2018	300,000.00	Other income	300,000.00
R&D subsidy	262,000.00	Other income	262,000.00

Provincial subsidy of 2019 international market expansion	238,000.00	Other income	238,000.00
Subsidy of innovation and development of technology in 2019	215,500.00	Other income	215,500.00
Subsidy of enterprise management and consulting	200,000.00	Other income	200,000.00
Talent matching subsidy for 2016 talent plan	200,000.00	Other income	200,000.00
Talent support subsidy	200,000.00	Other income	200,000.00
R&D subsidies for enterprises in 2019	158,000.00	Other income	158,000.00
Export credit insurance subsidy	127,700.00	Other income	127,700.00
Special fund for top 30 industries	100,000.00	Other income	100,000.00
Subsidy for quality and efficiency improvement of industry and energy conservation in 2018	100,000.00	Other income	100,000.00
Subsidy of technician workstation of Shandong province in 2019	100,000.00	Other income	100,000.00
Subsidy of municipal industrial design center	100,000.00	Other income	100,000.00
Subsidy of high-value patent in Zibo	100,000.00	Other income	100,000.00
Subsidy of job probation	64,860.00	Other income	64,860.00
Reward of Shandong provincial science popularization and education base in 2019	50,000.00	Other income	50,000.00
Subsidy of Banyang Talents Plan	40,000.00	Other income	40,000.00
Special subsidies for foreign trade and economic development	25,400.00	Other income	25,400.00
Subsidy of patent creation	20,000.00	Other income	20,000.00
The third batch of patent subsidy funds of Shandong province in 2018	6,000.00	Other income	6,000.00
Subsidies for patent creation in the second half of 2018	6,000.00	Other income	6,000.00
Unemployment dynamic monitoring subsidy	1,200.00	Other income	1,200.00
Reward for excellent performance project	84,000.00	Non-operating income	84,000.00
Loan with discounted interest	30,000.00	Finance costs	30,000.00

(2) Return of Government Subsidy

Applicable Not applicable

VIII. Changes of Consolidation Scope

1. Other Reasons for Changes of Consolidation Scope

Note to changes in combination scope for other reasons (such as newly establishment or liquidation of subsidiaries, etc.) and relevant information:

Shandong Lulian New Materials Co., Ltd., Shandong Lujia Import & Export Co., Ltd. and Lu Thai Occupational Training School were newly-established subsidiaries of the Company; the sub-subsidiary Zibo Helijie Energy Saving Technology Service Co., Ltd. was deregistered; and the sub-subsidiary Zibo Chengshun Heating Power Co., Ltd. was consolidated.

IX. Equity in Other Entities

1. Equity in Subsidiary

(1) Subsidiaries

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Luthai (Hong Kong)	Hong Kong	Hong Kong	Wholesale and retail industry	100.00%		Set-up
Shanghai Luthai	Shanghai	Shanghai	Wholesale and retail industry	100.00%		Set-up
Xinjiang Luthai	Xinjiang	Xinjiang	Manufacturing industry	59.92%		Business combination not under the same control
Lufeng Weaving & Dyeing	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Luqun Textile	Zibo	Zibo	Manufacturing industry	100.00%		Set-up
Xinsheng Power	Zibo	Zibo	Manufacturing industry	100.00%		Business combination not under the same control
Xinjiang Textile (sub-subsidiary)	Xinjiang	Xinjiang	Manufacturing industry		59.92%	Set-up
Beijing Youxian	Beijing	Beijing	Wholesale and retail industry	100.00%		Set-up
Shanghai Zhinuo	Shanghai	Shanghai	Technology development, technical consultancy and transfer of technologies	100.00%		Set-up
Lulian New Materials	Zibo	Zibo	Manufacturing industry	75.00%		Set-up
Lujia Import & Export	Zibo	Zibo	Import and export trade	100.00%		Set-up
Lu Thai Occupational Training School	Zibo	Zibo	Skill training	100.00%		Set-up

Lu Thai (Cambodia)	Cambodia	Cambodia	Manufacturing industry	100.00%		Set-up
Lu Thai (Burma)	Burma	Burma	Manufacturing industry	100.00%		Set-up
Lu Thai (America)	America	America	Wholesale and retail industry	100.00%		Set-up
Lu Thai (Vietnam)	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up
Lu Thai Tan Chau (sub-subsidiary)	Vietnam	Vietnam	Manufacturing industry		100.00%	Set-up
Lu An Garments	Vietnam	Vietnam	Manufacturing industry	100.00%		Set-up

(2) Significant Non-wholly-owned Subsidiary

Unit: RMB

Name	Shareholding proportion of non-controlling interests	The profit or loss attributable to the non-controlling interests	Declaring dividends distributed to non-controlling interests	Balance of non-controlling interests at the period-end
Xinjiang Luthai	40.08%	8,717,909.88	12,023,566.38	195,916,831.10
Lufeng Weaving & Dyeing	25.00%	28,753,991.35	50,000,000.00	356,783,629.23

(3) The Main Financial Information of Significant Not Wholly-owned Subsidiary

Unit: RMB

Name	Ending balance						Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities
Xinjiang Luthai	420,902,264.09	514,128,662.24	935,030,926.33	441,046,827.41	4,493,264.80	445,540,092.21	577,801,870.44	550,298,919.95	1,128,100,790.39	628,672,392.37	4,814,373.04	633,486,765.41
Lufeng Weaving & Dyeing	869,432,992.40	806,983,371.55	1,676,416,363.95	200,786,105.11	40,658,795.64	241,444,900.75	908,054,381.50	820,360,513.63	1,728,414,895.13	176,914,108.80	33,049,234.56	209,963,343.36

Unit: RMB

Name	Reporting Period				Same period of last year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating

				activities				activities
Xinjiang	723,971,149.	24,876,809.1	24,876,809.1	85,703,001.2	708,959,464.	36,239,006.4	36,239,006.4	196,160,759.
Luthai	38	4	4	7	82	6	6	22
Lufeng Weaving & Dyeing	1,743,680,018.67	116,519,911.43	116,519,911.43	184,886,875.03	1,780,246,459.14	118,857,204.34	118,857,204.34	179,357,371.51

2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

(1) Note to the Owner's Equity Share Changed in Subsidiary

The Company held 9% of equity in Beijing Youxian formerly, while the Company signed the equity transfer agreement with Beijing Bishibo E-commerce Consulting Co., Ltd. in March 2019, allowed to purchase 10% of equity in Beijing Youxian held by Beijing Bishibo E-commerce Consulting Co., Ltd. As of 31 December 2019, the equity transfer agreement has been fulfilled with the payment of consideration of RMB841,000.00. The transaction resulted in the decrease of RMB610,304.90 in non-controlling interest, and RMB230,695.10 in capital reserves.

(2) The Transaction's Influence on the Equity of Non-controlling Shareholders and the Owner's Equity Attributable to the Company as the Parent

Unit: RMB

	Beijing Youxian
--Cash	841,000.00
Total of cost of acquisition/disposal consideration	841,000.00
Less: Net assets shares of subsidiary calculated at the proportion of acquired/disposed equity	610,304.90
Difference	230,695.10
Of which: Adjustment of capital reserves	230,695.10

3. Equity in Joint Ventures or Associated Enterprises

(1) Significant Joint Ventures or Associated Enterprises

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment to joint venture or associated enterprise
				Directly	Indirectly	
Haohong Investment	Ningbo	Ningbo	Equity investment	33.33%		权益法

(2) Main Financial Information of Significant Joint Ventures

Unit: RMB

	Ending balance/Reporting Period	Beginning balance/The same period of last year
	Haohong Investment	Haohong Investment
Current assets	312,249,946.34	100,703,096.38
Non-current assets		186,140,002.64
Total assets	312,249,946.34	286,843,099.02
Current liabilities	150,000.00	150,000.00
Total liabilities	150,000.00	150,000.00
Net assets	312,099,946.34	286,693,099.02
Equity attributable to shareholders of the Company as the parent	312,099,946.34	286,693,099.02
Net assets shares calculated at the shareholding proportion	104,032,882.42	95,554,809.90
--Other	-806,582.42	
Carrying value of investment to associated enterprises	103,226,300.00	95,554,809.90
Net profit	25,406,847.32	-5,916,357.99
Total comprehensive income	25,406,847.32	-5,916,357.99

Other notes:

According to the partnership agreement, all the partners shall enjoy 80% of surplus earnings in partnerships in proportion to their contributions, and the general partner shall enjoy the rest of 20%. Therefore, there was difference between the net assets shares calculated at shareholding proportion and he carrying value of equity investment in associated enterprises for the Company.

X. The Risk Related to Financial Instruments

The Group's major financial instruments include the monetary assets, notes receivable, accounts receivables, accounts receivable financing, other receivables, other current assets, trading financial assets, other equity instrument investments, other non-current financial assets, long-term receivables, notes payable, accounts payable, other payables, the short-term borrowings, trading financial liabilities, non-current liabilities due within one year and long-term borrowings. Details of various financial instruments are disclosed in relevant Notes. Possible risks related to these financial instruments and various risk management policies implemented to reduce these risks are described as follows. The Group's management has controlled and monitored these risk exposures in order to control the above-mentioned risks within the limited scope.

1. Risk management objectives and policies

The Group has conducted the risk management to achieve an appropriate balance between the risk and the income and to minimize the adverse influence of financial risks on the Group's financial performance. According to such risk management objective, the Company has formulated corresponding risk management policy to recognize and analyze possible risks encountered by the Group, set the appropriate acceptable risk level and designed corresponding internal control procedures to monitor the Group's risk level.

Meanwhile, the Group will regularly review these risk management policies and relevant internal control system so as to cater for the market or respond to any change in the Group's business operations. Accordingly, the Group's internal audit department will also regularly or randomly check whether the internal control system is implemented in conformity with relevant risk management policies.

The major risks caused by financial instruments of the Group are credit risk, liquidity risk and market risk (including foreign exchange risk and interest rate risk).

The Board of Directors shall be responsible for planning and establishing the risk management framework for the Group, determining the Group's risk management policies and relevant guidelines and monitoring the implementation of various risk management measures. However, the Company has established corresponding risk management policies to recognize and analyze possible risks encountered by the Group. Besides, various risks are specified in these risk management policies, including the credit risk, the liquidity risk and the market risk management etc.. On a regular basis, the Group will evaluate the specific marketing environment and various changes in the Group's business operations so as to determine whether any risk management policy and system need be updated.

(1) Credit risk

Credit Risk means that the Group will suffer any financial losses due to the counter party's failure in fulfilling the contract obligations.

The Group shall manage the credit risk based on the specific Group Classification, and the credit risk mainly arises from bank deposit, notes receivable, accounts receivable, other receivables and long-term accounts receivable etc..

The Group's bank deposits are mainly saved in state-owned banks and other large and medium-sized listed banks. The Group's bank deposits are expected not to suffer any major credit risks.

For notes receivable, accounts receivable, other accounts receivable and long-term accounts receivable, the Group has established relevant policies to control the credit risk exposure. According to the client's financial status, credit record and other factors (including the current market condition), the Group will evaluate the client's credit qualification and set corresponding credit period. In addition, the Group will regularly monitor the client's credit record. For clients with poor credit records, the Group will issue the written Reminder Notice, shorten the credit period or cancel the credit period to guarantee the Group's overall credit risk under control.

The hugest credit risk exposure borne by the Group is the book value of each financial asset reflected in the balance sheet, and the Group has not provided any other guarantees that may cause the Company to bear any credit risk.

In terms of accounts receivable, the top 5 customers in accounts receivable were accounted for 22.71% of the total amount of accounts receivable of the Group (28.60% in 2018). In terms of other receivables, the top 5 of the ending balance according to the arrears party was accounted for 71.72% of the total amount of other receivables of the Group (69.41% in 2018).

Investment in debt obligations

The Group supervised the changes of credit risk through tracking the published external credit ratings. In order to make sure whether the credit rating was the latest, and whether the credit risk has increased obviously of evaluation report date but not been reflected in the published external ratings, the Group has supplemented through examining the changes of bond yield and the available news and supervision information.

On the balance sheet date, the carrying value of investment in debt obligations of the Group are listed as follows according to report items (Unit: RMB'0,000).

Item	2019.12.31	2018.12.31
Trading financial assets	5,235.61	
Available-for-sale financial assets		6,061.2
Total	5,235.61	6,061.2

(2) Liquidity risk

Liquidity Risk refers to the risk of capital shortage encountered by the Group during the cash payment or the settlement of other financial assets.

During the management of liquidity risk, the Group shall reserve and monitor corresponding cash and cash equivalent deemed sufficient by the management so as to meet the Group's operational requirements and mitigate the impact caused by the cash flow fluctuation. The Group's management will monitor the use of bank loans and guarantee the fulfillment of loan agreement. Meanwhile, major financial institutions shall promise to provide the Group with sufficient reserve funds in order to satisfy the short-term and long-term fund demand. The Group shall raise its working capital based on the capital generated from business operations and bank loans.

(3) Market risk

The financial instrument's market risk refers to the fluctuation risk of fair value of financial instrument or future cash flow caused by the changes of market price, including the interest rate risk and the exchange rate risk.

Interest rate risk refers to the fluctuation risk of fair value of financial instrument or future cash flow caused by the changes of market interest rate. The interest rate can derive from the recognized interest-bearing financial instruments and unrecognized financial instruments (including certain loan commitment).

The Group's interest rate risk mainly arises from the bank loan. Financial liabilities based on the floating interest rate will cause the cash flow interest rate risk to the Group, and financial liabilities based on the fixed interest rate the fair value interest rate risk.

However, the Group has paid close attention the impact of interest rate fluctuations on the Group's interest rate risk. At present, the Group has not taken any interest rate hedging measures. The rise of interest rate will increase the cost of newly-added interest-bearing debts and the interest cost of the Group's unsettled interest-bearing debts based on the floating interest rate, and cause major adverse influence on the Group's financial performance. The management will timely make corresponding adjustment according to the latest market situation, and corresponding interest rate swap will be arranged to reduce the interest rate risk.

The interest-bearing financial liabilities held by the Group are as follows (Unit: RMB'0,000):

Item	Reporting Period	Same period of last year
Financial liabilities with fixed interest rate		
Of which: Short-term borrowings	80,788.31	63,500
Other payables		12,487
Total	80,788.31	75,987
Financial liabilities with floating interest rate		
Of which: Short-term borrowings	130,342.44	69,027.38
Current portion of long-term borrowings	10,111.13	
Long-term borrowings	4,185.72	17,001.91
Total	144,639.29	86,029.29

On 31 December 2019, if the lending rate calculated at floating interest rate up or down 100 basis points with other variables unchanged, the net profit and shareholders' equity will be decreased or increased about RMB14.4639 million.

Foreign exchange risk

Foreign exchange risk is referred to the fluctuation risk of fair value of financial instruments or future cash flows resulted from the change of foreign exchange rate. The foreign exchange rate was originated from the financial instruments denominated in foreign currencies other than the recording currency.

On 31 December 2019, the amount of foreign currency financial assets and foreign currency financial liabilities converted to renminbi is as follows (Unit: RMB'0,000):

Item	Foreign currency liabilities		Foreign currency assets	
	Ending balance	Beginning balance	Ending balance	Beginning balance
USD	142,862.43	85,864.25	103,091.39	54,984.29
EUR	93.50	150.27	108.54	38.40
JPY	178.21	470.76	47.88	148.04
HKD	833.05	2.45	4,879.34	3,057.38
GBP			11.68	8.36
CHF	47.44	335.13	40.82	32.00
SEK			0.06	
Dong	9,156.70	3,283.78	11,176.75	4,311.71
MMK			71.20	109.77
Riel			63.82	
Total	153,171.32	90,106.64	119,491.47	62,689.96

The Group pays close attention on the influence of foreign exchange risk due to the changes in exchange rate. At the end of each reporting periods, for the monetary assets, notes receivable, accounts receivable, accounts payable, short-term borrowings and long-term borrowings denominated in foreign currency, if renminbi to foreign currency up or down 10% with other variables unchanged, the influence on the shareholders' equity and net profit of the Group is as follows (Unit: RMB'0,000):

	Reporting Period		Same period of last year	
	Influence on the profits	Influence on shareholders' equity	Influence on the profits	Influence on shareholders' equity
Up 10% against RMB	3,956.31	3,956.31	3,062.46	3,062.46
Down 10% against RMB	-3,956.31	-3,956.31	-3,062.46	-3,062.46

2. Capital management

The objectives of capital management policies of the Group are to insure the continuous operation of the Group so as to provide return to shareholders and benefit other stakeholders, as well as to reduce capital cost by maintaining the optimal capital structure.

In order to maintain or adjust capital structure, the Group might adjust financing method and the dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instrument or sell assets to reduce debts.

The Group supervised the capital structure based on the asset-liability ratio (namely total liabilities divide total assets). On 31 December 2019, the asset-liability ratio was 30.17% of the Group (26.68% on 31 December 2018).

XI. The Disclosure of Fair Value

1. Ending Fair Value of Assets and Liabilities at Fair Value

Unit: RMB

Item	Ending fair value			
	Fair value measurement	Fair value measurement	Fair value measurement	Total

	items at level 1	items at level 2	items at level 3	
I. Consistent fair value measurement	--	--	--	--
(I) Trading financial assets			52,356,098.85	52,356,098.85
1. Financial assets at fair value through profit or loss				
(1) Debt instrument investment			52,356,098.85	52,356,098.85
2. Financial assets assigned measured by fair value and the changes be included in the current gains and losses				
(1) Debt instrument investment				
(2) Equity instrument investment				
(II) Accounts receivable financing			26,963,818.87	26,963,818.87
(III) other non-current financial assets		232,149,500.00	46,000,000.00	278,149,500.00
The total amount of assets consistently measured at fair value		232,149,500.00	125,319,917.72	357,469,417.72

2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 2

As for the unlisted equity investment of Rongchang Pharmacy, the fair value was determined in accordance with the transaction value of the most recent period.

3. Valuation Technique Adopted and Nature and Amount Determination of Important Parameters for Consistent and Inconsistent Fair Value Measurement Items at Level 3

For the trust investment not existing in the active market, the Company shall recognize its fair value based on the estimated value on the balance sheet day provided by the asset manager.

For the unlisted equity investment into Rongchang Pharmacy, the Company adopts the comparable listed company comparison method, and the non-observable input value of the comparable listed company comparison method includes the liquidity discount.

The investment into Shandong Hongqiao Thermoelectric Co., Ltd. made by Luqun Textile (the Company's subsidiary) is expected to be held in the long run for obtaining the discount on power purchase. As no revenue distribution right is vested in the investment, the

invested unit's operating profit and loss are not shared or borne, and the equity transfer is not proposed, the Company regards it as the financial asset which shall be measured based on the fair value and whose variations are included in the current profit and loss, and the investment cost is deemed as the fair value of the financial asset.

For accounts receivables financing at fair value and the changes included in other comprehensive income, its fair value shall be determined by the discount cash flow method.

4. Fair Value of Financial Assets and Liabilities Not Measured at Fair Value

The financial assets and financial liabilities measured at amortized cost mainly include: monetary assets, notes receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payables, other payables, current portion of long-term borrowings and long-term borrowings, etc..

XII. Related Party and Related-party Transactions

1. Information Related to the Company as the Parent of the Company

Name	Registration place	Nature of business	Registered capital	Proportion of share held by the Company as the parent against the Company (%)	Proportion of voting rights owned by the Company as the parent against the Company (%)
Zibo Lucheng Textile Investment Co., Ltd.	Zibo	Textile, chemistry and investment	RMB63.26 million	16.36%	16.36%

Notes: information on the Company as the parent

The final controllers of the Company are Mr. Liu Zibin and Mr. Liu Deming.

2. Subsidiaries of the Company

Refer to Note IX-1.

3. Information on the Joint Ventures and Associated Enterprises of the Company

Refer to Note IX-3.

4. Information on Other Related Parties

Name	Relationship with the Company
Zibo Stanluian Cosmetics Co., Ltd. (hereinafter called "Stanluian")	Joint-stock company of the Company as the parent
Zibo Taimei Ties Co., Ltd. (hereinafter called Taimei Ties)	Majority-owned subsidiary of the Company as the parent
Zibo Limin Purified Water Co., Ltd. (hereinafter called Limin)	Wholly-owned subsidiary of the Company as the parent

Purified Water)	
Zibo Luqun Land Co., Ltd (hereinafter called Luqun Land)	Wholly-owned subsidiary of the Company as the parent
Zibo Lurui Fine Chemical Co., Ltd. (hereinafter referred to as Lurui Chemical)	Majority-owned subsidiary of the Company as the parent
Zibo Lujia Property Management Co. , Ltd. (hereinafter referred to as Lujia Property)	Wholly-owned subsidiary of the Company as the parent
Hong Kong Tung Hoi International Company Limited (hereinafter called Tung Hoi International)	Wholly-owned subsidiary of the Company as the parent
Shandong Chengshun Petrochemical Co., Ltd. (hereinafter referred to as Chengshun Petrochemical)	Wholly-owned subsidiary of the Company as the parent
Zibo Chengshun Hosiery Co., Ltd. (hereinafter referred to as Chengshun Hosiery)	Majority-owned subsidiary of the Company as the parent
Zibo Chengshun Economic and Trade Co., Ltd. (hereinafter referred to as Chengshun Economic and Trade)	Wholly-owned subsidiary of the Company as the parent
Chengshun Petrochemical (Zhejiang Zhoushan) Co., Ltd. (hereinafter referred to as Chengshun Petrochemical)	Wholly-owned subsidiary of the Company as the parent
Zibo Lucheng Petrochemical Sales Co., Ltd. (hereinafter referred to as Lucheng Petrochemical)	Wholly-owned subsidiary of the Company as the parent
Shanghai Hengjiu Textile New Materials Co., Ltd.	Majority-owned subsidiary of the Company as the parent
Lumei New Materials Co., Ltd.	Majority-owned subsidy of wholly-owned subsidiary of the Company as the parent

5. List of Connected Transactions

(1) Information on Acquisition of Goods and Reception of Labor Service

Information on acquisition of goods and reception of labor service

Unit: RMB

Related party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Lucheng Textile	Towels, socks, oils, supermarket retail, welfare, electronics, computer equipment, computer supplies, paper cores, etc.	12,344,703.95	15,000,000.00	No	13,489,689.69
Taimei Ties	Goods processing fee, materials	0.00	0.00	No	3,415.03
Stanluian	Materials	0.00	0.00	No	6,344.03

Limin Purified Water	Recycled water, sewage treatment, materials	21,927,449.10	33,750,000.00	No	24,915,630.44
Chengshun Petroleum, Chengshun Petrochemical	Gas	41,734,937.14	54,000,000.00	No	36,438,292.48
Lurui Chemical	Auxiliaries	114,848,768.52	138,000,000.00	No	100,403,329.00
Chengshun Hosiery	Socks, paper cores, hose processing, etc.	716,355.68	0.00	Yes	
Chengshun Economic and Trade	Supermarket retail	59,684.06	0.00	Yes	
Lucheng Petrochemical	Oils	46,546.34	0.00	Yes	

Information of sales of goods and provision of labor service

Unit: RMB

Related party	Content	Reporting Period	Same period of last year
Lucheng Textile	Sales of materials, electricity, running water, draught water, gas etc.	112,274.67	125,194.09
Lucheng Textile	Sales of grey yarn, dyed yarn, garment etc.	326,137.94	324,500.22
Chengshun Hosiery	Materials, electricity, running water, heating, steam	15,859.24	
Chengshun Hosiery	Sales of grey yarn, dyed yarn	15,398.23	
Chengshun Economic and Trade	Materials, electricity, running water	2,270.46	
Lucheng Petrochemical	Electric charge	1,898.17	
Taime Ties	Sales of electricity, heating charges		
Stanluian	Sales of materials, electricity, and running water		6,926.79
Limin Purified Water	Sales of materials, garment, electricity etc.	1,627,664.17	1,096,870.07
Lurui Fine Chemical	Sales of garment, shell fabric, yarn, water & electricity, lunch components and materials	393,479.14	241,453.88
Lujia Property	Sales of materials and recycled water	96,838.18	60,753.33

Note:

(2) Information on Related-party Lease

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in the Reporting Period	The lease income confirmed in the same period of last year

Zibo Lucheng Textile Investment Co., Ltd.	Houses and buildings	36,108.00	48,965.14
Lurui Fine Chemical	Houses and buildings	8,183.64	8,183.64

The Company was lessee:

Unit: RMB

Name of lessor	Category of leased assets	The lease fee confirmed in the Reporting Period	The lease fee confirmed in the same period of last year
Zibo Lucheng Textile Investment Co., Ltd.	Rent of land	3,614,857.20	3,614,857.20
Zibo Lucheng Textile Investment Co., Ltd.	Rent of gas station	501,714.24	501,714.24
Zibo Lucheng Textile Investment Co., Ltd.	Rent of buildings	11,022,228.60	11,259,371.47
Luqun Property	Rent of land and buildings	1,394,285.64	1,394,285.64

Note:

(3) Information on Inter-bank Lending of Capital of Related Parties

Unit: RMB

Related party	Amount	Start date	End date	Note
Borrowing				
Lujia Property	600,000.00	1 January 2019	31 December 2019	
Stanluian	1,450,000.00	1 January 2019	12 June 2019	
Taimei Ties	1,300,000.00	1 January 2019	12 June 2019	
Lucheng Textile	221,520,000.00	1 January 2019	31 December 2019	

(4) Information on Remuneration for Key Management Personnel

Unit: RMB

Item	Reporting period	Same period of last year
Remuneration for key management personnel	21,034,175.37	23,527,100.00

6. Accounts Receivable and Payable of Related Party

(1) Accounts Payable

Unit: RMB

Item	Related party	Ending carrying amount	Beginning carrying amount
------	---------------	------------------------	---------------------------

Other payables	Lucheng Textile		127,139,981.30
Other payables	Lujia Property		646,472.50
Other payables	Stanluian		1,537,779.37
Other payables	Taimei Ties		1,420,277.49
Accounts payable	Chengshun Economic and Trade	2,794.00	

XIII. Commitments and Contingency

1. Significant Commitments

Significant commitments on balance sheet date

Capital commitments

Commitments signed but hasn't been recognized in financial statements	2019.12.31	2018.12.31
Commitment on constructing and purchasing long-lived assets (RMB'0,000)	19,386.82	4,528.59

2. Contingency

(1) Significant Contingency on Balance Sheet Date

(1) Contingent liabilities formed by the debt guarantee provided to other entities and the financial impact

As of 31 December 2019, the Company provided guarantee to loans of the following entities:

Name	Item	Currency	Foreign currency amount	Amount converted to RMB	Start date	Due date	Note
I. Subsidiary							
Lu Thai (Vietnam)	Short-term borrowings	USD	4,537,875.38	31,657,126.23	2019-7-9	2020-1-5	
Lu Thai (Vietnam)	Short-term borrowings	USD	1,380,217.59	9,628,673.95	2019-7-25	2020-1-21	
Lu Thai (Vietnam)	Short-term borrowings	USD	1,414,723.10	9,869,391.29	2019-7-25	2020-1-21	
Lu Thai (Vietnam)	Short-term borrowings	USD	1,066,239.86	7,438,302.51	2019-8-20	2020-2-16	
Lu Thai (Vietnam)	Short-term borrowings	USD	1,106,975.43	7,722,481.99	2019-9-26	2020-3-24	
Lu Thai (Vietnam)	Short-term borrowings	USD	1,090,107.94	7,604,811.01	2019-11-13	2020-5-11	

Lu Thai (Vietnam)	Short-term borrowings	USD	10,000,000.00	69,762,000.00	2019-7-8	2020-7-6
Lu Thai (Vietnam)	Short-term borrowings	USD	8,000,000.00	55,809,600.00	2019-8-19	2020-8-17
Lu Thai (Vietnam)	Short-term borrowings	USD	7,500,000.00	52,321,500.00	2019-8-28	2020-8-26
Lu Thai (Vietnam)	Short-term borrowings	USD	3,000,000.00	20,928,600.00	2019-9-24	2020-9-22
Lu Thai (Vietnam)	Short-term borrowings	USD	382,850.69	2,670,842.98	2019-12-11	2020-6-8
Lu Thai (Vietnam)	Short-term borrowings	USD	1,888,843.51	13,176,950.09	2019-11-12	2020-5-10
Lu Thai (Vietnam)	Short-term borrowings	USD	97,587.90	680,792.71	2019-7-3	2020-1-3
Lu Thai (Vietnam)	Short-term borrowings	USD	642,265.20	4,480,570.49	2019-7-9	2020-1-9
Lu Thai (Vietnam)	Short-term borrowings	USD	2,324,475.68	16,216,007.24	2019-10-10	2020-4-10
Lu Thai (Vietnam)	Short-term borrowings	USD	230,769.71	1,609,895.65	2019-10-11	2020-4-11
Lu Thai (Vietnam)	Short-term borrowings	USD	2,000,000.00	13,952,400.00	2019-12-24	2020-6-24
Lu Thai (Vietnam)	Short-term borrowings	USD	10,000,000.00	69,762,000.00	2019-12-26	2020-6-26
Lu Thai (Vietnam)	Short-term borrowings	Dong	7,082,665,334.00	2,132,042.71	2019-12-17	2020-6-14
Lu Thai (Vietnam)	Short-term borrowings	Dong	4,317,542,004.00	1,299,677.95	2019-12-24	2020-6-21
Lu Thai (Vietnam)	Short-term borrowings	Dong	6,019,988,552.00	1,812,152.93	2019-12-25	2020-6-22
Lu Thai (Vietnam)	Short-term borrowings	Dong	5,721,065,327.00	1,722,170.27	2019-12-30	2020-6-27
Lu Thai (Vietnam)	Short-term borrowings	Dong	5,153,925,479.00	1,551,448.32	2019-11-14	2020-5-12
Lu Thai (Vietnam)	Short-term borrowings	Dong	5,374,416,000.00	1,617,820.97	2019-11-8	2020-5-6
Lu Thai (Vietnam)	Short-term borrowings	Dong	34,454,984,610.00	10,371,730.90	2019-11-4	2020-5-2
Lu Thai (Vietnam)	Short-term borrowings	Dong	19,320,124,319.00	5,815,795.09	2019-7-5	2020-1-5
Lu Thai (Vietnam)	Short-term borrowings	Dong	7,182,124,714.00	2,161,982.24	2019-7-8	2020-1-8

Lu Thai (Vietnam)	Short-term borrowings	Dong	12,372,501,559.00	3,724,403.25	2019-7-19	2020-1-19	
Lu Thai (Vietnam)	Short-term borrowings	Dong	6,428,287,404.00	1,935,060.13	2019-7-25	2020-1-25	
Lu Thai (Vietnam)	Short-term borrowings	Dong	11,277,368,545.00	3,394,743.41	2019-8-7	2020-2-7	
Lu Thai (Vietnam)	Short-term borrowings	Dong	20,320,560,177.00	6,116,948.95	2019-8-5	2020-2-5	
Lu Thai (Vietnam)	Short-term borrowings	Dong	8,189,151,172.00	2,465,120.02	2019-8-19	2020-2-19	
Lu Thai (Vietnam)	Short-term borrowings	Dong	20,551,019,031.00	6,186,322.29	2019-9-5	2020-3-5	
Lu Thai (Vietnam)	Short-term borrowings	Dong	18,834,844,601.00	5,669,714.90	2019-9-6	2020-3-6	
Lu Thai (Vietnam)	Short-term borrowings	Dong	6,961,496,770.00	2,095,568.23	2019-9-18	2020-3-18	
Lu Thai (Vietnam)	Short-term borrowings	Dong	7,219,794,299.00	2,173,321.64	2019-10-1	2020-4-1	
Lu Thai (Vietnam)	Short-term borrowings	Dong	11,651,328,765.00	3,507,313.90	2019-10-3	2020-4-3	
Lu Thai (Vietnam)	Short-term borrowings	Dong	20,988,434,481.00	6,317,994.24	2019-10-4	2020-4-4	
Lu Thai (Vietnam)	Short-term borrowings	Dong	8,171,010,860.00	2,459,659.37	2019-10-17	2020-4-17	
Lu Thai (Vietnam)	Short-term borrowings	Dong	8,395,020,374.00	2,527,091.31	2019-11-19	2020-5-19	
Lu Thai (Vietnam)	Short-term borrowings	Dong	15,064,184,545.00	4,534,771.99	2019-12-5	2020-6-5	
Lu Thai (Vietnam)	Long-term borrowings	USD	579,358.04	4,041,717.56	2018-5-31	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	614,869.37	4,289,451.70	2018-6-5	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	371,522.20	2,591,813.17	2018-6-20	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	684,640.80	4,776,191.15	2018-6-20	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	476,181.42	3,321,936.82	2018-6-25	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	576,240.00	4,019,965.49	2018-6-25	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	753,104.88	5,253,810.26	2018-6-26	2020-5-4	

Lu Thai (Vietnam)	Long-term borrowings	USD	304,604.28	2,124,980.38	2018-7-6	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	667,675.80	4,657,839.92	2018-8-6	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	73,440.00	512,332.13	2018-8-13	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	606,978.00	4,234,399.92	2018-8-17	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	603,160.00	4,207,764.79	2018-8-17	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	127,999.88	892,952.76	2018-8-20	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	371,522.20	2,591,813.17	2018-8-22	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	112,919.04	787,745.81	2018-8-22	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	520,379.04	3,630,268.26	2018-8-27	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	543,680.00	3,792,820.42	2018-8-27	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	56,605.53	394,891.50	2018-9-10	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	476,181.42	3,321,936.82	2018-9-10	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	392,113.58	2,735,462.76	2018-9-21	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	170,208.00	1,187,405.05	2018-9-26	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	269,024.80	1,876,770.81	2018-11-27	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	236,339.41	1,648,750.99	2018-12-17	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	148,975.20	1,039,280.79	2018-12-18	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	171,304.00	1,195,050.96	2018-12-25	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	371,789.58	2,593,678.47	2019-1-7	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	52,750.08	367,995.11	2019-1-7	2020-5-4	
Lu Thai (Vietnam)	Long-term borrowings	USD	160,183.27	1,117,470.53	2019-1-24	2020-5-4	

Lu Thai Tan Chau	Long-term borrowings	USD	2,680,800.00	18,701,796.96	2019-9-30	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	194,256.00	1,355,168.71	2019-10-7	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	51,840.00	361,646.21	2019-10-11	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	171,720.00	1,197,953.06	2019-10-17	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	245,392.91	1,711,910.02	2019-10-21	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	160,650.00	1,120,726.53	2019-10-3	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	285,296.40	1,990,284.74	2019-10-3	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	104,024.05	725,692.58	2019-11-7	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	109,656.67	764,986.86	2019-11-7	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	2,507,548.87	17,493,162.43	2019-11-20	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	461,217.60	3,217,546.22	2019-11-20	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	128,520.00	896,581.22	2019-12-4	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	2,588,953.33	18,061,056.22	2019-12-5	2021-8-30	
Lu Thai Tan Chau	Long-term borrowings	USD	310,124.17	2,163,488.23	2019-12-17	2021-8-30	
Total			--	619,853,298.64			

There was no other significant contingency in the Group to disclose.

XIV. Events after Balance Sheet Date

1. Profit Distribution

Unit: RMB

Profits or dividends to be distributed	85,812,154.10
Profits or dividends announced to be distributed after the approval	85,812,154.10

2. Notes to Other Events after Balance Sheet Date

(1) Issuance of convertible bonds

On 6 March 2020, the Company received the *Ratification on Approval of Public Issuance of Convertible Corporate Bonds of Lu Thai Textile Co., Ltd.* (ZJXX [2020] No. 299) issued by CSRC, in which the Company was approved to publicly issue the convertible bonds with the total face value RMB 1.4 Billion to the society and the term was 6 years. The issue of convertible bonds was completed on 15 April 2020 and the issued amount was RMB1.4 billion.

(2) Equity transfer of Rongchang Pharmacy

On 7 March 2020, the 9th Meeting of the 9th Board of Directors reviewed and approved the *Proposal on Transferring Partial Contribution to Rongchang Pharmacy*. The Company held 4,917,393 shares in Rongchang Pharmacy, occupying 2.92%. Now, the Company decides to transfer partial shares held in Rongchang Pharmacy with the transfer price is RMB141.6296 million in total. After such transfer, the Company's amount of contribution to Rongchang Pharmacy will be changed to RMB1,917,393. On 3 March 2020, the Company signed the Agreement of Equity Transfer of Rongchang Pharmacy (Yantai) with various transferees.

(3) Impact of epidemic situation of COVID-19

Since the outbreak of COVID-19 in January 2020 (hereinafter referred to as "the epidemic outbreak"), the Company has actively responded to and strictly adhered to various regulations and requirements on preventing and controlling the epidemic outbreak published by the Party and country. In March 2020, the Europe and America were also stricken with the novel coronavirus outbreak. As the Company's export sales occupy more than 60%, the domestic and international epidemic situation and various prevention and control measures will exert certain impact on the Company's production and management and the specific impact depends on the epidemic prevention and control progress achieved by various countries, the duration and the actual implementation of various prevention and control policies. However, the Company will still pay close attention to the epidemic situation and evaluate and respond to the epidemic situation's impact the Company's financial status and business performance.

As of 28 April 2019 (the approval date of the Board of Directors), there was no other event after balance sheet date to disclose.

XV. Notes of Main Items in the Financial Statements of the Company as the Parent

1. Accounts Receivable

(1) Listed by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Carrying amount		Bad debt provision		Carrying value	Carrying amount		Bad debt provision		Carrying value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Of which:										
Accounts receivable withdrawal of bad debt provision of by group	439,725,290.44	100.00%	22,125,772.36	5.03%	417,599,518.08	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28
Of which:										
Group 1: Undue accounts (credit	87,886,175.56	19.99%	922,804.84	1.05%	86,963,370.72	73,094,409.16	21.95%	372,781.49	0.51%	72,721,627.67

insurance insured)										
Group 2: Undue accounts (no credit insurance)	312,932,456.44	71.17%	15,646,622.82	5.00%	297,285,833.62	208,215,090.51	62.54%	10,411,242.18	5.00%	197,803,848.33
Group 3: Overdue accounts (credit insurance insured)	26,018,416.33	5.92%	2,783,970.55	10.70%	23,234,445.78	40,374,527.84	12.13%	3,645,819.86	9.03%	36,728,707.98
Group 4: Overdue accounts (no credit insurance)	12,888,242.11	2.93%	2,772,374.15	21.51%	10,115,867.96	11,269,605.99	3.38%	2,297,816.69	20.39%	8,971,789.30
Total	439,725,290.44	100.00%	22,125,772.36	5.03%	417,599,518.08	332,953,633.50	100.00%	16,727,660.22	5.02%	316,225,973.28

Withdrawal of bad debt provision by group:

Unit: RMB

Name	Ending balance		
	Carrying amount	Bad debt provision	Withdrawal proportion
Group 1: Undue accounts (credit insurance insured)	87,886,175.56	922,804.84	1.05%
Group 2: Undue accounts (no credit insurance)	312,932,456.44	15,646,622.82	5.00%
Group 3: Overdue accounts (credit insurance insured)	26,018,416.33	2,783,970.55	10.70%
Group 4: Overdue accounts (no credit insurance)	12,888,242.11	2,772,374.15	21.51%
Total	439,725,290.44	22,125,772.36	--

Please refer to the relevant information of disclosure of bad debt provision of other accounts receivable if adopting the general mode of expected credit loss to withdraw bad debt provision of accounts receivable.

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	438,756,039.71
1 to 2 years	634,887.81
2 to 3 years	24,164.00
Over 3 years	310,198.92
3 to 4 years	310,198.92
Total	439,725,290.44

(2) Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

Withdrawal of bad debt provision:

Unit: RMB

Category	Beginning balance	Changes in the Reporting Period				Ending balance
		Withdrawal	Reversal or recovery	Write-off	Other	
Bad debt provision	16,727,660.22	5,806,025.93		407,913.79		22,125,772.36
Total	16,727,660.22	5,806,025.93		407,913.79		22,125,772.36

(3) Particulars of the Actual Verification of Accounts Receivable during the Reporting Period

Unit: RMB

Item	Amount
Accounts receivable actually verified	407,913.79

(4) Top5 of the Ending Balance of the Accounts Receivable Collected according to Arrears Party

Unit: RMB

Name of entity	Ending balance	Proportion to total ending balance of accounts receivable	Ending balance of bad debt provision
A	23,481,166.10	5.34%	1,348,278.87
B	16,811,812.65	3.82%	1,222,182.58
C	13,303,001.89	3.03%	206,693.89
D	24,443,651.53	5.56%	894,664.35
E	17,893,286.99	4.07%	229,459.85
Total	95,932,919.16	21.82%	

2. Notes Receivable

Category	2019.12.31			2018.12.31		
	Carrying amount	Bad debt provision	Carrying value	Carrying amount	Bad debt provision	Carrying value
Bank acceptance bill	4,849,983.90		4,849,983.90	28,101,500.00		28,101,500.00
L/C	63,048,901.45		63,048,901.45	63,453,748.34		63,453,748.34
Total	67,898,885.35		67,898,885.35	91,555,248.34		91,555,248.34

Note: the Company believes that there is no significant credit risks in bank acceptance bill and L/C held by the Company, and no

significant losses caused by bank default.

(1) There was no notes receivable pledged in the Company at the period-end.

(2) Notes receivable endorsed by the Company or discounted and not due on the balance sheet date at the period-end

Category	Derecognized amount at the period-end	Non-derecognized amount at the period-end
Bank acceptance bill	271,572,658.93	
Trade acceptance bill		
Total	271,572,658.93	

The bank acceptance bill belongs to bank acceptance with high credit grade which can be used for discount. The credit risk and the risk of deferred payment are low, and the interest risk related to notes has transferred to bank, which the major risks and income under ownership of notes has been transferred as well. Thus, the bank acceptance bill was derecognized at the period-end.

(3) There was no bad debt provision withdrawn, reversed and recovered in the Reporting Period.

3. Other Receivables

Unit: RMB

Item	Ending balance	Beginning balance
Other receivables	838,523,449.52	395,847,213.77
Total	838,523,449.52	395,847,213.77

(2) Other Receivables

1) Other Receivables Classified by Account Nature

Unit: RMB

Nature	Ending carrying amount	Beginning carrying amount
Intercourse funds	820,813,180.93	358,031,837.54
Export rebates	9,928,747.48	22,505,284.46
Payment on behalf	7,908,873.14	13,005,358.64
Guarantee deposit and cash deposit	3,290,964.29	3,221,373.64
Borrowings and petty cash	998,879.96	1,774,825.33
Other	248,238.60	69,421.93
Total	843,188,884.40	398,608,101.54

2) Withdrawal of Bad Debt Provision

Unit: RMB

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss of the next 12 months	Expected loss in the duration (credit impairment	Expected loss in the duration (credit impairment	

		not occurred)	occurred)	
Balance of 1 January 2019	2,220,825.86	540,061.91		2,760,887.77
Balance of 1 January 2019 in the Current Period	—	—	—	—
Withdrawal of the Current Period	1,236,715.29	667,831.82		1,904,547.11
Balance of 31 December 2019	3,457,541.15	1,207,893.73		4,665,434.88

Changes of carrying amount with significant amount changed of loss provision in the Current Period

Applicable Not applicable

Disclosure by aging

Unit: RMB

Aging	Carrying amount
Within 1 year (including 1 year)	838,616,197.46
1 to 2 years	424,174.43
2 to 3 years	1,927,517.79
Over 3 years	2,220,994.72
3 to 4 years	300,000.00
4 to 5 years	4,000.00
Over 5 years	1,916,994.72
Total	843,188,884.40

3) Top 5 of the Ending Balance of Other Receivables Collected according to the Arrears Party

Unit: RMB

Name of the entity	Nature	Ending balance	Aging	Proportion to ending balance of total other receivables%	Ending balance of bad debt provision
Lu Thai (Vietnam)	Intercourse funds	561,654,018.48	Within 1 year	66.61%	1,684,962.06
Xinshen Power	Intercourse funds	121,520,000.00	Within 1 year	14.41%	364,560.00
Lu An Garments	Intercourse funds	102,736,300.18	Within 1 year	12.18%	308,208.90
Lu Thai Tan Chau	Intercourse funds	34,901,347.27	Within 1 year	4.14%	104,704.04
Refund of tax for export receivable	Export rebates	9,928,747.48	Within 1 year	1.18%	496,437.37
Total	--	830,740,413.41	--	98.52%	2,958,872.37

4. Long-term Equity Investment

Unit: RMB

Item	Ending balance			Beginning balance		
	Carrying amount	Depreciation reserve	Carrying value	Carrying amount	Depreciation reserve	Carrying value
Investment to subsidiaries	2,422,765,316.04	15,123,011.20	2,407,642,304.84	2,069,693,116.04		2,069,693,116.04
Investment to joint ventures and associated enterprises	103,226,300.00		103,226,300.00	95,554,809.90		95,554,809.90
Total	2,525,991,616.04	15,123,011.20	2,510,868,604.84	2,165,247,925.94		2,165,247,925.94

(1) Investment to Subsidiaries

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease				Ending balance (carrying value)	Ending balance of depreciation reserve
		Additional investment	Reduced investment	Withdrawal of depreciation reserve	Other		
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)	128,771,800.00					128,771,800.00	
Shanghai Luthai	20,000,000.00					20,000,000.00	
Lu Thai (Cambodia)	108,242,335.38					108,242,335.38	
Lu Thai (America)	10,209,050.00					10,209,050.00	
Lu Thai (Burma)	62,337,238.57					62,337,238.57	
Beijing Youxian	18,000,000.00	841,000.00		15,123,011.20		3,717,988.80	15,123,011.20
Lu Thai (Vietnam)	632,855,310.00	202,081,200.00				834,936,510.00	
Lu An Garments	64,229,060.00					64,229,060.00	

Lulian New Materials		150,000,000.00				150,000,000.00	
Lujia Import & Export		50,000.00				50,000.00	
Lu Thai Occupational Training School		100,000.00				100,000.00	
Total	2,069,693,116.04	353,072,200.00			15,123,011.20	2,407,642,304.84	15,123,011.20

(2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

Investee	Beginning balance (carrying value)	Increase/decrease								Ending balance (carrying value)	Ending balance of depreciation reserve	
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other			
II. Associated enterprises												
Haohong Investment	95,554,809.90			7,671,490.10							103,226,300.00	
Subtotal	95,554,809.90			7,671,490.10							103,226,300.00	
Total	95,554,809.90			7,671,490.10							103,226,300.00	

(3) Other Notes

As of 31 December 2019, the Company didn't invested to the subsidiary Shanghai Zhinou.

5. Operating Revenue and Cost of Sales

Unit: RMB

Item	Reporting Period		Same period of last year	
	Operating revenue	Cost of sales	Operating revenue	Cost of sales
Main operations	4,830,453,763.42	3,561,373,245.36	4,949,117,460.00	3,635,767,983.52
Other operations	275,257,679.48	236,747,371.64	285,754,682.46	242,349,589.43
Total	5,105,711,442.90	3,798,120,617.00	5,234,872,142.46	3,878,117,572.95

Whether the Company has already implemented the new revenue standards

Yes No

6. Investment Income

Unit: RMB

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	167,976,433.62	17,976,433.62
Long-term equity investment income accounted by equity method	7,671,490.10	-1,518,268.37
Investment income from holding of trading financial assets	4,875,806.53	
Investment income from disposal of trading financial assets	4,933,528.63	
Investment income from holding of available-for-sale financial assets		6,069,367.03
Investment income from disposal of financial assets at fair value through profit or loss		-47,564,384.05
Total	185,457,258.88	-25,036,851.77

XVI. Supplementary Materials

1. Items and Amounts of Non-recurring Profit or Loss

Applicable Not applicable

Unit: RMB

Item	Amount	Note
Gains/losses from the disposal of non-current assets	-1,196,233.94	
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	62,198,864.45	
Gain/loss from change of fair value of trading financial assets and liabilities, and derivative financial assets and liabilities, and investment gains from disposal of trading financial assets and liabilities, and derivative financial assets and liabilities, and investment in other debt obligations, other than valid hedging related to the Company's common businesses	241,537,682.90	
Other non-operating income and expense other than the above	-2,857,141.21	
Investment income from disposal of trading financial assets, financial liabilities and investment in debt obligations	14,162,405.95	
Less: Income tax effects	14,593,639.87	

Non-controlling interests effects	9,281,939.79	
Total	289,969,998.49	--

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

Applicable Not applicable

2. Return on Equity and Earnings Per Share

Profit as of Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to ordinary shareholders of the Company	12.96%	1.11	1.11
Net profit attributable to ordinary shareholders of the Company after deduction of non-recurring profit or loss	9.01%	0.77	0.77

Part XIII Documents Available for Reference

1. The financial statements signed and stamped by the Company's legal representative, Chief Accountant and Financial Manager;
2. The original copy of the Independent Auditors' Report carrying the seal of the CPA firm, as well as the personal signatures of the engagement certified public accountants.
3. The originals of all the Company's announcements and documents disclosed to the public during the Reporting Period on Securities Times, Shanghai Securities News, China Securities Journal and Ta Kung Pao.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

30 April 2020