

Stock Code: 000726, 200726

Stock Name: Lu Thai A, Lu Thai B

Announcement No.: 2017-040

LU THAI TEXTILE CO., LTD.

THIRD QUARTER REPORT 2017 (SHORT FORM)

Part I Important Statements

The board of directors (the “Board”), the supervisory board (the “Supervisory Board”) as well as the directors, supervisors and senior management of Lu Thai Textile Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.

All the directors of the Company attended the board meeting for the review of this Report.

Liu Zibin, head of the Company, Zhang Hongmei, accounting head for this Report, and Zhang Keming, head of the accounting department (head of accounting) of the Company, hereby guarantee that the financial statements carried in this Report are factual, accurate and complete.

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

Part II Company Fundamentals

I Key Consolidated Operating Results

Indicate by tick mark whether the Company needs to retrospectively restate any of its accounting data.

Yes No

	September 30, 2017	December 31, 2016	Change	
Total assets (RMB)	9,519,311,781.79	9,407,103,263.34	1.19%	
Equity attributable to owners of the parent (RMB)	7,039,665,999.44	6,937,985,729.19	1.47%	
	July-September 2017	YoY change	January-September 2017	YoY change
Net sales (RMB)	1,631,824,401.03	13.80%	4,622,284,097.46	8.37%
Net margin attributable to owners of the parent (RMB)	197,038,648.01	-16.69%	590,108,629.56	1.54%
Net margin attributable to owners of the parent before exceptional gains and losses (RMB)	179,229,437.40	-19.60%	564,310,595.85	1.47%
Net cash from operating activities (RMB)	--	--	834,029,908.57	-23.57%
Basic earnings per share (RMB/share)	0.21	-16.00%	0.64	3.23%
Diluted earnings per share (RMB/share)	0.21	-16.00%	0.64	3.23%
Weighted average return on equity (%)	2.83%	-0.72%	8.41%	-0.24%

Exceptional gains and losses:

Applicable Not applicable

Unit: RMB

Item	January-September 2017	Note
Gains/Losses on disposal of non-current assets (inclusive of offset asset impairment provisions)	1,850,570.54	
Governmental subsidy recorded into current gains/losses (exclusive of governmental subsidy closely relevant to business events, and quantified according to national unified standards)	30,745,322.67	
Gains/Losses on fair value changes of trading financial assets and liabilities & investment income from disposal of trading financial assets and liabilities as well as financial assets available for sale (exclusive of effective hedges related to normal business operations of the Company)	3,567,478.35	
Non-operating income and expense other than above	555,382.08	
Less: Income tax effects	5,696,638.90	

Minority interests effects (after tax)	5,224,081.03	
Total	25,798,033.71	--

Explanation of why the Company classified an item as an exceptional gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Gains and Losses, or reclassified any exceptional gain/loss item given as an example in the said explanatory announcement as a recurrent gain/loss:

Applicable Not applicable

No such cases in the Reporting Period.

II Total Number of Shareholders and Shareholdings of Top 10 Shareholders at Period-End

1. Numbers of Common Shareholders and Preference Shareholders with Resumed Voting Rights, and Shareholdings of Top 10 Shareholders

Unit: share

Total number of common shareholders at period-end	57,584	Total number of preference shareholders with resumed voting rights at period-end (if any)	0			
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at period-end	Restricted shares held at period-end	Pledged or frozen shares	
					Status	Number
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned corporation	15.21%	140,353,583			
Tailun (Thailand) Textile Co., Ltd.	Foreign corporation	12.82%	118,232,400	118,232,400		
Hong Kong Securities Clearing Co. Ltd	Foreign corporation	2.71%	25,000,508			
Central Huijin Assets Management Co., Ltd.	State-owned corporation	2.20%	20,315,300			
T.Rowe Price Intl Discovery Fund	Foreign corporation	2.16%	19,948,219			
China Securities Finance Corporation Limited	State-owned corporation	1.70%	15,679,091			
Hua'an New Silk Road Theme Equity Securities Investment Fund	Domestic Non-stated-owned corporation	1.11%	10,200,000			
Hong Kong Monetary Authority — own funds	Foreign corporation	1.08%	9,978,984			

Lynas Asia Fund	Foreign corporation	0.90%	8,342,900			
BNP Paribas—own funds	Foreign corporation	0.80%	7,777,994			
Top 10 non-restricted shareholders						
Name of shareholder	Non-restricted shares held at period-end	Type of stock		Number	Type	Number
		Type	Number			
Zibo Lucheng Textile Investment Co., Ltd.	140,353,583	RMB stock	common	140,353,583		
Hong Kong Securities Clearing Co. Ltd	25,000,508	RMB stock	common	25,000,508		
Central Huijin Assets Management Co., Ltd.	20,315,300	RMB stock	common	20,315,300		
T.Rowe Price Intl Discovery Fund	19,948,219	Domestically listed stock for foreign investors		19,948,219		
China Securities Finance Corporation Limited	15,679,091	RMB stock	common	15,679,091		
Hua'an New Silk Road Theme Equity Securities Investment Fund	10,200,000	RMB stock	common	10,200,000		
Hong Kong Monetary Authority —own funds	9,978,984	Domestically listed stock for foreign investors		9,978,984		
Lynas Asia Fund	8,342,900	Domestically listed stock for foreign investors		8,342,900		
BNP Paribas—own funds	7,777,994	RMB stock	common	7,777,994		
RBC Emerging Markets Small Cap Equity Fund	6,785,384	Domestically listed stock for foreign investors		6,785,384		
Related or acting-in-concert parties among 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 circulating A share or circulating B share and the Company is not able to confirm whether there is associated relationship or concerted action among other shareholders.					

Top 10 common shareholders conducting securities margin trading (if any)	Naught
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Indicate by tick mark whether any of the top 10 common shareholders or the top 10 non-restricted common shareholders of the Company conducted any promissory repo during the Reporting Period.

Yea No

No such cases in the Reporting Period.

2. Total Number of Preference Shareholders and Shareholdings of Top 10 of Them at Period-End

Applicable Not applicable

Part III Significant Events

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

√ Applicable □ Not applicable

(1) Construction in progress increased 91.17% from the December 31, 2016 amount to RMB295,683,932.33 on September 30, 2017, due primarily to new construction projects of Xinsheng Thermal Power and Xinjiang Lu Thai Textile arising in the period January through September 2017.

(2) Financial liabilities at fair value through gains/losses increased 100.00% from the December 31, 2016 amount to RMB796,400.00 on September 30, 2017, due primarily to increase in trading financial liabilities.

(3) Notes payable increased 100.00% from the December 31, 2016 amount to RMB5,850,646.86 on September 30, 2017, due primarily to increase in trade acceptance bills payable.

(4) Taxes payable decreased 34.09% from the December 31, 2016 amount to RMB50,890,407.93 on September 30, 2017, due primarily to decrease in income taxes and urban maintenance tax payable.

(5) Non-current liabilities due within one year increased 100.00% from the December 31, 2016 amount to RMB135,950,175.68 on September 30, 2017, due primarily to the reclassification of long-term borrowings that became due within one year in the period January through September 2017.

(6) Long-term borrowings decreased 100.00% from the December 31, 2016 amount to RMB0.00 on September 30, 2017, due primarily to the reclassification of long-term borrowings that became due within one year as non-current liabilities due within one year in the period January through September 2017.

(7) Other comprehensive income decreased 50.98% from the December 31, 2016 amount to RMB26,122,877.09 on September 30, 2017, due primarily to lower income from translation of foreign subsidiaries' financial statements presented in foreign currencies.

(8) The year-over-year increase of 80.99% in taxes and surtaxes to RMB73,695,429.20 during the period January through September 2017 primarily resulted from the reclassification of the taxes sub-item under the administrative expense item as taxes and surtaxes as per Financial Accounting Document [2016] No. 22—Value Added Tax Accounting Rules during the period January through September 2017.

(9) The year-over-year increase of 69.11% in finance costs to RMB44,572,889.12 during the period January through September 2017 primarily resulted from greater foreign exchange losses.

(10) The year-over-year decrease of 30.54% in asset impairment losses to RMB3,350,210.60 during the period January through September 2017 primarily resulted from a lower amount of inventory valuation allowances.

(11) The year-over-year decrease of 101.72% in gains on fair value changes to RMB-796,400.00 during the period January through September 2017 primarily resulted from lower income from changes in the fair value of financial liabilities.

(12) The year-over-year increase of 111.18% in investment income to RMB4,803,678.35 during the period January through September 2017 primarily resulted from greater gains on derivative financial instruments invested in.

(13) The year-over-year increase of 100.00% in other income to RMB30,565,322.67 during the period January through September 2017 primarily resulted from the reclassification of government subsidies arising from the Company's ordinary course of business (originally under non-operating income) as other income as per Accounting Standard No. 16 for Business Enterprises—Government Subsidies.

(14) The year-over-year decrease of -70.64% in non-operating income to RMB9,846,350.62 during the period January through September 2017 primarily resulted from the reclassification of government subsidies arising from the Company's ordinary course of

business (originally under non-operating income) as other income as per Accounting Standard No. 16 for Business Enterprises—Government Subsidies.

(15) The year-over-year decrease of -41.52% in non-operating expense to RMB7,260,398.00 during the period January through September 2017 primarily resulted from decreased losses on disposal of non-current assets.

II Progress, Influence and Solutions Associated with Significant Events

Applicable Not applicable

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

Applicable Not applicable

No such cases in the Reporting Period.

IV Forecast of 2017 Annual Operating Results

Warning of a possible loss on or a significant year-over-year change in accumulative net margin during the period the beginning of the current year through the end of the next reporting period, as well as the reasons:

Applicable Not applicable

V Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

VI Investments in Derivative Financial Instruments

Applicable Not applicable

Unit: RMB'0,000

Operator	Relation	Related-party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Amount purchased in Reporting Period	Amount sold in Reporting Period	Impairment provision (if any)	Closing investment amount	Proportion of closing investment amount in the Company's closing net assets (%)	Actual gain/loss in Reporting Period
Commercial	Non-re	No	Forward exchange	0	01/19/2017	09/29/2017	0	107,579.8	107,579.8		0		413.63

bank	lated		settlement										
Commer cial bank	Non-re lated	No	Foreign exchange option	0	01/03/2017	09/05/2017	0	58,953.81	41,953.81		17,000	2.26%	25.49
Commer cial bank	Non-re lated	No	Forward exchange transaction s	0	05/22/2017	07/14/2017	0	8,379.84	8,379.84		0		-7.49
Commer cial bank	Non-re lated	No	Foreign exchange swap	0	06/20/2017	06/30/2017	0	12,937.1	12,937.1		0		4.76
Total				0	--	--	0	187,850.55	170,850.55	0	17,000	2.26%	436.39
Capital source for derivative investment				Own funds									
Lawsuit (if applicable)				Naught									
Disclosure date of board of directors announcement on approval of derivative investment (if any)				04/28/2017									
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 risk of laws and regulations, credit risk, operation risk and market risk.</p> <p>1. Risk concerning laws and regulations:</p> <p>The Company conducted derivatives products transaction in strict accordance with relevant laws and rules as well as regulatory policies from government securities regulatory authorities, if there were no standard operation procedures and strict approval procedures, it was easy to cause compliant and regulatory risks existing in the validity and feasibility of contract, commitments and other legal documents signed. 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 investment business, and strictly abided by relevant laws, regulations and the Company's internal management rules.</p> <p>2. Credit risk and liquidity risk:</p> <p>When the contract matures, the Company couldn't deliver as scheduled due to insufficient liquidity, and the counterparty or the Company couldn't fulfill the contract due to other aspects except the liquidity, which would cause credit risk and further economic losses for the Company. Risk control measures: the Company chose the</p>									

	<p>powerful financial institutions with good reputation as the counterparty, and signed standard derivative products transaction contract, as well as strictly controlled the credit risk of counterparty. The Company conducted derivative investment transactions according to the relevant approval procedure, which was in line with relevant laws, regulations, the Company's Articles of Association, the Management Rules for Derivative Investment of Lu Thai Textile Co., Ltd. and the Proposal on the Plan of the Company for Derivative Transactions approved at the 7th Session of the 8th Board of Directors on April 26, 2017, and performed relevant information disclosure responsibilities. The Company decided the up limit for the amount of derivative products transaction according to the production and operation scale and the progress of foreign exchange income for the Company, and delivered by phases. It was also possible to use extension of term and other ways to ensure the fulfillment of contract as schedules upon the mature of contract, and wouldn't cause any loss of credit risk for the Company due to insufficient liquidity or other reasons.</p> <p>3. Operation risk:</p> <p>The derivative financial transactions had high specialty and complexity, so imperfect internal operation procedures, staffs and external events would make the Company to undertake risks during the transaction. Risk control measures: The Company promulgated strict authorization and approval system and perfect regulatory mechanism, fixed the departments, operation procedures and approval procedures system to conduct derivative products transaction, established special risk control positions, implemented strict authorization and post checks and balances system, meanwhile, it improved the overall quality of relevant personnel through strengthening the business training and professional ethics education for them. Besides, it established the System of Reporting the Abnormal Situation Timely, formed an efficient risk management procedures, so as to ensure to lower the operation risks to the maximum.</p> <p>4. Market risk: since two years of "8•11 exchange rate reform", the central parity of RMB against US dollar gradually formed the current price mechanism of "closing price + overnight basket of currency changes + reverse cycle adjustment factor". The central parity has played a very good role in Price guideline, and the effect of exchange rate reform is remarkable. In the short term, China's economy has gradually stabilized and maintained high-speed growth. The internationalization of RMB is steadily advancing. Therefore, the RMB exchange rate has neither the basis for devaluation nor the need for devaluation. In the long run, the dollar index, customer trading behavior and market makers expectations are still key factors determining the future of RMB exchange rate. In the future, the RMB exchange rate elasticity will increase, and the two-way fluctuation will be obvious. Forward settlement and option business, which are greatly affected by exchange rate fluctuations, are important derivatives transactions of the Company. Risk control measures: Although a more flexible RMB exchange rate and the increased fluctuation range added to the operation difficulty, it provided a certain opportunity. Therefore, the relevant personnel of the Company will actively analyze market changes, carefully operate and hold positive opportunity, so as to try the best to reduce the market risks under the condition of increased market difficulty.</p>
<p>Changes of market prices or fair values in the Reporting Period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p>	<p>1. As of September 30, 2017, the Company held 7 undue financial derivatives contracts, with a total of USD26 million. The latest contract period will end in November 2017. Financial derivatives accounted for 2.26% of the Company's consolidated net assets at the end of the Reporting Period.</p> <p>2. During the period January through September 2017, the amount of the Company's due financial derivatives was equivalent to USD253,489,300, with proceeds of RMB4,363,900, of which due forward forex settlements amounted to USD157,881,800, with proceeds of RMB4,136,300; mature foreign exchange transactions were equivalent to USD12,307,500, with a loss of RMB74,900; mature foreign exchange swaps amounted to USD19 million, with proceeds of RMB47,600; and mature foreign currency options amounted to USD64.3</p>

	million, with proceeds of RMB254,900 after execution of contracts.
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 Xu Jianjun, Zhao Yao, Bi Xiuli, Pan Ailing and Wang Xinyu, concerning conducting derivatives business, have issued the following professional advice: We are of the opinion that it will strengthen the Company's competitiveness to use derivative transactions with focus on forward settlement and purchase as an effective tool to avoid foreign exchange risks, to strengthen the relevant internal control and to carry out the loss and risk prevention measures so as to improve the operation and management. In conducting derivative transactions with focus on forward settlement and purchase, the Company follows a legal approval procedure, has sound relevant institutions and keeps the risks relatively controllable. No harm has been done to the interests of the Company's shareholders.

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

Applicable Not applicable

Date of visit	Way of visit	Type of visitor	About
08/30/2017	By phone	Institution	Company fundamentals

VIII Irregularities Arising from Provision of Guarantees for Third Parties

Applicable Not applicable

No such cases in the Reporting Period.

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

Applicable Not applicable

No such cases in the Reporting Period.

X Targeted Measures Taken to Help People Lift Themselves out of Poverty

The Company did not take such measures in the third quarter of the year and has no such plans for now.

Board Chairman (signature): Liu Zibin

Lu Thai Textile Co., Ltd.

October 27, 2017