

Stock Code: 000726, 200726

Stock Name: LTTC, LTTC-B

Announcement No. 2021-012

Bond Code: 127016

Bond Name: LTTC Convertible Bonds

# LU THAI TEXTILE CO., LTD.

## ANNUAL REPORT 2020 (SUMMARY)

### Part I Important Notes

This Summary is based on the full Annual Report of Lu Thai Textile Co., Ltd. (together with its consolidated subsidiaries, the “Company”, except where the context otherwise requires). In order for a full understanding of the Company’s operating results, financial position and future development plans, investors should carefully read the aforesaid full text, which has been disclosed together with this Summary on the media designated by the China Securities Regulatory Commission (the “CSRC”).

Independent auditor’s modified opinion:

Applicable  Not applicable

Board-approved final cash and/or stock dividend plan for ordinary shareholders for the Reporting Period:

Applicable  Not applicable

Bonus issue from capital reserves:

Yes  No

The Board has approved a final dividend plan for ordinary shareholders as follows: based on 858,132,322 shares, a cash dividend of RMB0.50 (tax inclusive) per 10 shares is to be distributed to the shareholders, with no bonus issue from either profit or capital reserves.

Board-approved final cash and/or stock dividend plan for preferred shareholders for the Reporting Period:

Applicable  Not applicable

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

### Part II Key Corporate Information

#### 1. Stock Profile

Stock name	LTTC, LTTC-B	Stock code	000726, 200726
Stock exchange for stock listing	Shenzhen Stock Exchange		
Contact information	Board Secretary	Securities Representative	
Name	Zhang Keming	Zheng Weiyin and Li Kun	
Address	81 Songling East Road, Zichuan District,	81 Songling East Road, Zichuan District,	

	Zibo City, Shandong Province, P.R.China	Zibo City, Shandong Province, P.R.China
Fax	0533-5418805	0533-5418805
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## 2. Principal Activities or Products 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”. It has gradually become a textile and garment enterprise group with comprehensive and vertical production capacities integrating spinning, bleaching and dyeing, weaving, afterfinish and clothing manufacture. Lu Thai produces and sells middle and high-grade yarn-dyed fabric, dyeing fabric, functional fabric and knitted fabric for shirts, as well as garment. It claimed its fame for its comprehensive management, R&D ability, advanced technology, stable quality and international operations. Moreover, it also attaches great importance to improving the added value of its products, explore the emerging market and renew its service philosophy. 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. About 60% of Lu Thai’s products are exported to over 60 countries and regions including America, the EU and Japan. At present, the Company's capacity of yarn dyed fabric has made up 18% of the market of global yarn dyed fabric for medium and high-end shirts. Moreover, the Company has established strategic partnership with renowned brand owners at home and abroad.

## 3. Key Financial Information

### (1) Key Financial Information of the Past Three Years

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

Yes  No

Unit: RMB

	2020	2019	2020-over-2019 change (%)	2018
Operating revenue	4,751,222,464.14	6,801,381,448.94	-30.14%	6,879,058,813.93
Net profit attributable to the listed company's shareholders	97,308,593.36	952,386,011.49	-89.78%	811,526,477.83
Net profit attributable to the listed company's shareholders before exceptional gains and losses	20,039,094.03	662,416,013.00	-96.97%	805,197,824.28
Net cash generated from/used in operating activities	593,535,922.89	1,086,110,575.51	-45.35%	1,430,341,663.16
Basic earnings per share (RMB/share)	0.11	1.11	-90.09%	0.90
Diluted earnings per share (RMB/share)	0.11	1.11	-90.09%	0.90
Weighted average return on equity (%)	1.26%	12.96%	-11.70%	11.24%
	31 December 2020	31 December 2019	Change of 31 December 2020 over 31 December 2019 (%)	31 December 2018

Total assets	12,129,903,960.65	11,885,431,553.08	2.06%	10,537,759,811.84
Equity attributable to the listed company's shareholders	7,687,577,590.72	7,697,135,324.92	-0.12%	7,146,548,467.86

## (2) Key Financial Information by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating revenue	1,252,428,965.20	1,034,315,115.59	1,083,514,157.78	1,380,964,225.57
Net profit attributable to the listed company's shareholders	103,518,808.50	40,600,770.72	-48,455,060.39	1,644,074.53
Net profit attributable to the listed company's shareholders before exceptional gains and losses	103,615,262.08	4,490,331.09	-59,285,564.88	-28,780,934.26
Net cash generated from/used in operating activities	145,916,523.77	63,475,741.92	219,056,724.96	165,086,932.24

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

## 4. Share Capital and Shareholder Information at the Period-End

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

Unit: share

Number of ordinary shareholders at the period-end	59,633	Number of ordinary shareholders at the month-end prior to the disclosure of this Report	58,570	Number of preferred shareholders with resumed voting rights at the period-end	0	Number of preferred shareholders with resumed voting rights at the month-end prior to the disclosure of this Report	0
Top 10 shareholders							
Name of shareholder	Nature of shareholder	Shareholding percentage	Total shares held at the period-end	Restricted shares held	Shares in pledge or frozen		
					Status	Shares	
Zibo Lucheng Textile Investment Co., Ltd.	Domestic non-state-owned legal person	16.36%	140,353,583	0			
Tailun (Thailand) Textile Co., Ltd.	Foreign legal person	13.78%	118,232,400	118,232,400			
Central Huijin Assets Management Co., Ltd.	State-owned legal person	2.37%	20,315,300				
China Securities Finance Corporation Limited	Domestic non-state-owned legal person	1.75%	15,021,260				
National Social Security Fund Portfolio 413	Domestic non-state-owned legal person	1.10%	9,450,051				
Zhang Ying	Domestic natural person	0.69%	5,910,600				
Zhong Ou China Securities Asset Management Plan	Other	0.61%	5,235,900				
Dacheng China Securities Asset Management Plan	Other	0.61%	5,235,900				

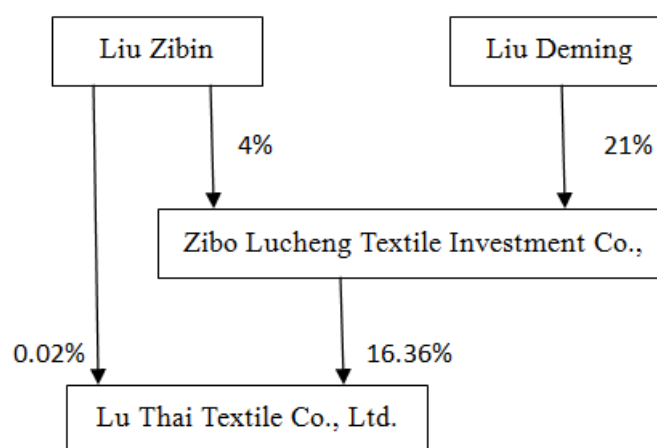
Harvest China Securities Asset Management Plan	Other	0.61%	5,235,900			
GF China Securities Asset Management Plan	Other	0.61%	5,235,900			
Related or acting-in-concert parties among the shareholders above		Zibo Lucheng Textile Investment Co., Ltd. is the largest shareholder of the Company and the actual 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.				
Shareholders involved in securities margin trading (if any)		N/A				

## (2) Number of Preferred Shareholders and Shareholdings of Top 10 of Them

Applicable  Not applicable

No preferred shareholders in the Reporting Period.

## (3) Ownership and Control Relations between the Actual Controller and the Company



## 5. 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 III Operating Performance Discussion and Analysis

### 1. Business Overview of the Reporting Period

In 2020, the coronavirus pandemic brought enormous impact to the world economy and China's export industry. Coupled with the international trade friction, China's export-oriented textile and apparel companies suffered from one disaster to another. Though the Company proactively adjusted its product structure and increased the production and sales of protective products, it was still difficult to ease the major impact on the Company of the dramatic decline in European and American needs, causing a considerable decrease in the operating results of the Company. For the Reporting Period, the Company achieved operating revenue of RMB4,751 million, operating profit of RMB83 million, a net profit attributable to the Company as the parent of RMB97 million, and a net profit attributable to the Company as the parent before exceptional gains and losses of RMB20 million, respectively down 30.14%, 92.68%, 89.78% and 96.97% when compared to last year.

No changes occurred to the Company's core businesses, primary products, business models and major growth drivers in the Reporting Period. As an advantaged enterprise in the textile manufacturing industry, the Company was granted with "Top 30 Chinese Printing and Dyeing Enterprise" by China Dyeing and Printing Association (CDPA), "Top 100 Private Enterprises with the Highest Brand Value of Shandong Province of 2020" by Shandong Council for Brand Development, "High-End Brand Builders in the Manufacturing Sector of Shandong Province" by Shandong Administration for Market Regulation, "Excellent Institution Fostering China's Corporate Culture during the 13th Five-year Plan Period" by China Corporate Culture Institute, and "Advanced Enterprise of Party Building in the National Textile Industry" by China National Textile and Apparel Council (CNTAC) and Chinese Association for Textile Enterprise Culture Construction. During the Reporting Period, the Company mainly completed the following tasks:

#### (I) Coordinated Response to COVID-19 and Rapid Resumption of Work and Production

In 2020, under extreme circumstances of epidemic prevention and control, the Company made quick response, formulated detailed plans for fighting against the pandemic and resuming work and production, and took multiple measures to ensure employees could resume their work and production soon, who displayed strong execution and cohesion.

#### (II) Customer-centric Arrangements

In 2020, the coronavirus pandemic had massive impact on China's industries, especially export-oriented textile and apparel enterprises. To deal with the crisis and market changes, the Company proactively adjusted its product structure and market structure, intensified promotion to boost sales in the domestic market, and vigorously expanded markets for protective products. Through online promotional meetings, customized promotional meetings and designer promotional meetings, it provided customers with one-stop solutions and value-added service, and deepened cooperation with strategic customers. Besides, the Company strengthened development of business wear orders, proactively boosted service of group purchase and customer-tailored production, and expanded cooperation with Tmall and Biyao Mall, maintaining stable production and operation.

In terms of marketing, the Company expanded potential markets and customers at home and abroad, and launched customization service of NARCISU shirts on Biyao Mall, achieving good results.

#### (III) Improvement of Business Layout and Structural Adjustment to Products

During the Reporting Period, the Company took measures to ensure normal businesses with traditional customers, strengthened the development of products and customers, closely followed the actual demands of customers, relied on the new development paradigm

with domestic circulation as the mainstay and domestic and international circulations reinforcing each other, and positively addressed the challenge of business decline oriented by “new products and new markets”.

During the Reporting Period, the Company issued convertible corporate bonds of RMB 1.4 billion for new projects and replenishment of working capital. On top of yarn, yarn dyed fabric, printed and dyed fabric, and shirts, it extended its business to functional fabric and knitted fabric. By doing so, it enriched its product structure, formed a multi-layered product matrix including mature products, growth products and exploration products, and developed different styles such as formal wear, casual wear, and comfortable and fashionable clothing, meeting customer needs. In addition, based on the situation of the pandemic in regions where major foreign customers were located, the Company developed and launched protective products successively, meeting their requirements for basic protection, environmental protection and reusability, and winning market recognition.

It responded to the trade friction with a positive attitude, made full use of the edges in the industrial layout at home and abroad, and planned and adjusted the order production bases of some strategic customers in a coordinated manner, achieving good effect.

#### (IV) Deepen Management Reform and Focus More on R&D Innovation

First, the Company further adjusted and improved the organizational management structure, established six product lines, namely yarn, yarn dyed fabric, printed and dyed fabric, functional fabric, knitted fabric and garment, and carried out whole-process overall operation management with the product lines as the mainstay to improve the organizational capabilities and cost control capabilities and help achieve the operating goals.

Besides, the Company vigorously promoted integrated product development, enhanced the cultivation of the business engineering capacity and management process capability, and bolstered the coordinated R&D system covering marketing, R&D, manufacturing, supply chain, finance and economy, and quality operation. Moreover, with products as platforms, it established teams of formal wear, casual wear, wrinkle-resistant fabric, functional fabric and materials, and customized development to rapidly meet the diversified and personalized needs of customers for developing products within a short delivery time in a targeted manner.

During the Reporting Period, the Company implemented 31 corporate-level product development projects and promoted process upgrading, energy conservation and reduction of energy consumption. Meanwhile, it launched the customized development of fabrics targeting strategic and key accounts. By building two innovative cooperation platforms and four technical cooperation platforms, it mainly invested in project R&D of wrinkle-free eco-fabrics, four-sided stretch fabrics, renewable and biodegradable fabrics, and anti-virus protective fabrics and apparel. During the Reporting Period, the Company was granted with 16 patents, with the “Textile Fabric Color Digitization Key Technology and Industrialization” project winning the title of “Shandong Textile and Apparel Industrial New Technology (Achievement)” by the Department of Industry and Information Technology of Shandong Province. It was once again certified as a national high-tech enterprise and a national demonstration enterprise of green industrial product design, and passed the review of the national manufacturer in single item. Two projects under the national key R&D plan during the 13th Five-year Plan period and one development and construction project of Shandong Peninsula Self-dependent Innovation Demonstration Area (Zibo), undertaken by the Company, passed the assessment and review for the year 2020. In the future, it will, in line with its corporate strategy, boost product development, establish a sound operating procedure and management standards for R&D projects, and build an efficient R&D system.

#### (V) Active Response of Overseas Subsidiaries to the COVID-19

As the pandemic developed in foreign countries, the Company experienced increasing impact on its overseas business. Its overseas

production bases assumed the major task of operation development while responding to COVID-19. During the Reporting Period, its overseas production bases actively responded to COVID-19 as required by countries where they were located, and succeeded in preventing infection in factories. In terms of production operation, the Company promoted local management, adjusted the product structure and expanded product types, recording profit in all the three garment production bases.

During the Reporting Period, the Company faced up to the “crisis” and organized all its employees to hold the “100-Day Competition” activity, aiming to improve the business and technological capabilities of all its employees in their respective areas. It rose to the crisis, took the initiative to implement reform and boosted capability cultivation and strength accumulation, laying a solid foundation for long-term development after the pandemic.

## 2. Significant Change to Principal Activities in the Reporting Period

Yes  No

## 3. Product Category Contributing over 10% of Principal Business Revenue or Profit

Applicable  Not applicable

Unit: RMB

Product category	Operating revenue	Operating profit	Gross profit margin	YoY change in operating revenue (%)	YoY change in operating profit (%)	YoY change in gross profit margin (%)
Fabric	3,371,261,899.44	48,175,505.97	20.79%	-31.34%	-92.83%	-9.73%
Shirts	867,383,762.52	40,149,040.80	23.99%	-32.77%	-75.55%	-5.76%

## 4. Business Seasonality that Calls for Special Attention

Yes  No

## 5. Significant YoY Changes in Operating Revenue, Cost of Sales and Net Profit Attributable to the Listed Company's Ordinary Shareholders or Their Compositions

Applicable  Not applicable

In 2020, the coronavirus pandemic exerted a huge impact on the export industry. With a slowdown in the macro-economy and a decline in market demand both at home and abroad, the Company overcame difficulties, prioritized both pandemic control and production resumption, and actively explored new markets. That said, the pandemic still hit the Company's production and operations badly. For the Reporting Period, the Company recorded operating revenue of RMB4,751 million (a 30.14% year-on-year decrease); cost of sales of RMB3,738 million (a 21.97% year-on-year decrease); and a net profit attributable to ordinary shareholders of RMB97 million (an 89.78% year-on-year decrease).

## 6. Delisting

Applicable  Not applicable

## 7. Matters Related to Financial Reporting

### (1) YoY Changes to Accounting Policies, Accounting Estimates or Measurement Methods

Applicable    Not applicable

In accordance with the Accounting Standards for Business Enterprises No. 21 – Leases (“New Lease Standards”) revised and issued by the Ministry of Finance on December 7, 2018, the Company has made relevant changes about the previous fiscal policies. This fiscal policy change is the reasonable change made according to the up-to-date rules issued by the Ministry of Finance and it meets the provisions of relevant laws and regulations. Implementation of the changed fiscal policies can objectively and fairly reflect the financial condition and operation result of the Company in 2021 and subsequent years, and no significant impact on the financial statements of the Company will occur accordingly.

### (2) Retrospective Restatements due to Correction of Material Accounting Errors in the Reporting Period

Applicable    Not applicable

No such cases.

### (3) YoY Changes to the Scope of Consolidated Financial Statements

Applicable    Not applicable

During the Reporting Period, the Company incorporated one subsidiary Beijing Zhishu Trading Co., Ltd., transferred the subsidiary Fengshou Cotton Industry for sale and cancelled the subsidiary Beijing Luthai Prime Fabric E-commerce Corp.

Chairman of the Board: Liu Zibin

Lu Thai Textile Co., Ltd.

31 March 2021