

Lu Thai Textile Co., Ltd. The Third Quarterly Report for 2007

§ 1 Important Notice

1.1 The Board of Directors, the Supervisory Committee and directors, supervisors as well as senior management of Lu Thai Textile Co., Ltd. (hereinafter referred to as “the Company”) warrant that this report does not contain any false or misleading statements or omit any material facts and all information set forth herein are true, accurate and complete.

1.2 None of the directors, supervisors, senior management demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this quarterly report.

1.3 All directors attended the Board meeting.

1.4 The Financial Report of the third quarterly report period has not been audited.

1.5 Mr. Liu Shizhen, Chairman of the Board of the Company, Mr. Liu Zibin, Person in Charge of Accounting Work, and Ms. Zhang Hongmei, Person in Charge of Accounting Organ, hereby declare that they would guarantee the authenticity and completeness of the Financial Report in this Quarterly Report.

§2 Company Profile

2.1 Main accounting data and financial indicators

Unit: RMB Yuan

	At the end of the report period	At the end of the previous year	Increase/decrease at the end of the report period compared with that at the end of the last year (%)
Total assets	5,657,135,291.32	4,994,973,693.25	13.26%
Owner's equity (shareholders' equity)	2,121,461,035.80	1,956,540,363.28	8.43%
Net assets per share	2.51	4.63	-45.79%
	From the beginning of the year to the end of the report period		Increase/decrease during the report period compared with that of the last year (%)
Net cash flow arising from operating activities	860,832,379.71		13.48%
Net cash flow per share arising from operating activities	1.02		-43.33%
	The report period	From the beginning of the year to the end of the report period	Increase/decrease during the report period compared with that of the last year (%)
Net profit	114,272,813.23	327,174,633.60	36.69%
Basic earnings per share	0.135	0.387	-31.82%
Basic earnings per share after deducting non-recurring gains and losses	-	0.373	-
Diluted earnings per share	0.135	0.387	-31.82%
Return on equity	5.39%	15.42%	0.92%
Return on equity after deducting non-recurring gains and losses	5.22%	14.87%	0.69%

Items of non-recurring gains and losses

Unit: RMB Yuan

Items of non-recurring gains and losses	From the beginning of the year to the end of the report period
Gains and losses arising from the disposal of long-term equity investment, fixed assets, projects in construction, intangible assets and other long-term assets	-1,521,503.75
Other various non-operating income/expenses after deducting daily reserve for impairment of assets withdrawn by the Company in line with the regulations of Accounting System for Business	16,814,071.42
Switching back various reserve for assets impairment allotted over the previous years	0.00
Less: amount of the above items influenced by income tax	-3,062,803.81
Less: amount of the above items influenced by the gains and losses of minority shareholders	-461,214.95
Total	11,768,548.91

2.2 Total number of shareholders at the end of the report period and statement on shares held by the top ten shareholders holding shares not subject to trading moratorium

Unit: share

Total number of shareholders	167,768	
Shares held by the top ten shareholders holding shares not subject to trading moratorium		
Name of shareholder (full name)	Number of shares not subject to trading moratorium	Type of share
ZIBO LUCHENG TEXTILE INVESTMENT CO., LTD	21,693,400	RMB ordinary shares
DBS VICKBRS(HONG KONG)LTD A/C CLIENTS	41,514,368	Domestically listed foreign shares
ZHU SHENG DI	6,260,000	Domestically listed foreign shares
DAIWA SECS EMBC AC ITOCHU HONG KONG LTD	6,000,000	Domestically listed foreign shares
CSFB S/A QINHAN CHINA MASTER FUND (CAYMAN)LTD	5,181,588	Domestically listed foreign shares
TOYO SECURITIES ASIA LIMITED-A/C CLIENT	4,798,376	Domestically listed foreign shares
DAIWA SECS SMBC HONG KONG LTD-CLIENTS	3,364,586	Domestically listed foreign shares
NAITO SECURITIES CO., LTD.	3,358,668	Domestically listed foreign shares
SINOCOT DEVELOPMENT COMPANY LIMITED	2,927,000	Domestically listed foreign shares
RONGTONG 100 LOF	2,652,029	RMB ordinary shares

§3 Significant Events

3.1 Particular about large-margin change in main item of accounting statement and financial index and reason for change

Applicable Inapplicable

3.2 Progress of significant events and influence as well as explanation on analysis of resolving proposal

Applicable Inapplicable

3.3 Fulfillment of the commitment made by the Company, shareholders and actual controller

Applicable Inapplicable

The profit distribution plan 2006 committed by the Company has been implemented.

The commitment made by Zibo Lucheng Textile Investment Co., Ltd. (the principal shareholder), namely Lucheng Company shall propose the cash distribution not lower than 50% of the profit available for distribution realized in the current year in the profit distribution for 2006, has been completed. However, another commitment, Lucheng Company shall additionally hold Luthai A shares with cash dividend for the year 2006, is under fulfilling.

3.4 Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable Inapplicable

3.5 Other significant events

3.5.1 Securities investment

Applicable Inapplicable

3.5.2 Equity of other listed companies the Company held

Applicable Inapplicable

3.5.3 Equity of non-listed financial enterprises and companies to be listed held by the Company

Applicable Inapplicable

3.5.4 Particulars about reception, investigation, communication, interview, etc., in the reporting period

Date	Venue	Manner	Visitors	Topics discussed and information provided
July 26, 2007	Reception room of the Company	Field investigation	BNP Paribas Peregrine Ltd. Li Yan	Company profile
August 28, 2007	Reception room of the Company and production site	Field investigation	America Asset Management Wu Chen and Shen Ye	Company profile and field trip
August 30, 2007	Reception room of the Company and production site	Field investigation	Changsheng Fund Researcher Zhou Lifang	Company profile and field trip

§4 Attachment

4.1 Balance Sheet

Prepared by Lu Thai Textile Co., Ltd.

30 September 2007

Unit: RMB Yuan

Items	Amount at the period-end		Amount at the period-begin	
	Consolidation	Parent company	Consolidation	Parent company
Current Assets:				
Monetary funds	306,437,470.60	185,941,183.69	324,339,162.29	210,182,921.71
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	53,039,370.77	113,365,806.33	120,658,397.40	107,304,045.11
Account receivable	198,888,624.43	152,651,827.68	113,926,860.78	79,460,486.38

Account paid in advance	156,099,348.62	355,755,725.78	121,132,249.55	387,607,115.81
Premium receivables				
Receivables from reinsurance				
Reinsurance contract reserve receivables				
Interest receivable				
Other account receivable	134,512,273.19	95,862,500.09	141,381,987.01	93,229,431.77
Financial assets purchased under agreements to resell				
Inventories	906,832,438.43	681,653,692.99	806,408,771.10	454,422,732.17
Non-current assets due within 1 year				
Other current assets				
Total current assets	1,755,809,526.04	1,585,230,736.56	1,627,847,428.13	1,332,206,732.95
Non-current assets:				
Loans and advance				
Available for sale financial assets				
Held to maturity investments			100,000,000.00	100,000,000.00
Long-term account receivable				
Long-term equity investment	214,989.07	798,720,170.24	214,989.07	622,379,432.31
Investing property				
Fixed asset	3,407,527,266.99	2,015,164,649.47	2,771,694,706.77	1,667,795,982.13
Project in construction	290,654,608.79	205,359,902.94	360,976,427.27	227,974,835.24
Engineering material	79,592,391.83	79,592,391.83	17,530,702.65	17,530,702.65
Fixed asset disposal				
Bearer biological asset				
Oil and gas assets				
Intangible assets	101,560,265.10	38,834,467.28	96,914,781.77	41,471,995.54
Development expense				
Goodwill	14,268,923.26		12,287,337.35	
Long-term expense to be apportioned				
Deferred tax assets	7,507,320.24	5,481,408.28	7,507,320.24	5,481,408.28
Other non-current assets				
Total of non-current assets	3,901,325,765.28	3,143,152,990.04	3,367,126,265.12	2,682,634,356.15
Total assets	5,657,135,291.32	4,728,383,726.60	4,994,973,693.25	4,014,841,089.10
Current liabilities:				
Short-term borrowings	1,598,860,373.95	1,108,561,773.95	1,654,260,182.18	1,063,494,985.00
Borrowing from Central Bank				
Deposits and due to banks and other financial institutions				
Placements from banks and other financial institutions				
Transaction financial liabilities				
Notes payable	490,977,112.70	548,225,217.41	174,193,390.98	267,966,196.39
Account payable	383,083,993.98	315,044,694.13	227,629,436.25	158,601,980.31
Account received in advance	27,461,576.90	22,147,675.19	26,758,697.97	14,686,282.38
Financial assets sold under				

agreements to repurchase				
Handling charges and commission payable				
Employee's compensation payable	175,095,006.52	149,966,896.69	143,893,393.20	122,817,137.19
Tax payable	19,636,137.01	13,938,203.07	10,526,517.86	12,433,667.22
Interest payable	1,484,527.62	1,484,527.62		
Other account payable	95,560,061.34	19,662,781.13	97,229,701.87	24,446,640.53
Due to reinsurance				
Insurance contract reserve				
Customer deposits				
Amount payables under security underwriting				
Non-current liabilities due within 1 year	122,664,948.00	71,463,220.00	100,771,142.00	49,521,750.00
Other current liabilities	442,844.04	442,844.04	448,419.14	448,419.14
Total current liabilities	2,915,266,582.06	2,250,937,833.23	2,435,710,881.45	1,714,417,058.16
Non-current liabilities:				
Long-term borrowings	380,711,800.00	329,711,800.00	395,927,610.00	304,927,610.00
Debentures payable				
Long-term payables	9,835,560.00		9,985,560.00	
Specific purpose account payables	4,000,000.00	4,000,000.00	2,000,000.00	2,000,000.00
Provisions for contingent liabilities				
Deferred tax liabilities				
Other non-current liabilities	3,120,812.52		3,137,629.79	
Total non-current liabilities	397,668,172.52	333,711,800.00	411,050,799.79	306,927,610.00
Total liabilities	3,312,934,754.58	2,584,649,633.23	2,846,761,681.24	2,021,344,668.16
Owner's equity (Shareholders' equity)				
Paid-in capital (Share capital)	844,864,800.00	844,864,800.00	422,432,400.00	422,432,400.00
Capital reserve	329,524,367.81	329,524,367.81	756,587,873.71	756,587,873.71
Less: Treasury Stock				
Reserved fund	242,685,515.58	241,086,442.55	242,685,515.58	241,086,442.55
General risk provision				
Retained earnings	705,840,455.50	728,258,483.01	535,725,978.40	573,389,704.68
Foreign exchange difference	-1,454,103.09		-891,404.41	
Total owners' equity attributable to holding company	2,121,461,035.80	2,143,734,093.37	1,956,540,363.28	1,993,496,420.94
Minority interest	222,739,500.94		191,671,648.73	
Total owner's equity	2,344,200,536.74	2,143,734,093.37	2,148,212,012.01	1,993,496,420.94
Total liabilities and owner's equity	5,657,135,291.32	4,728,383,726.60	4,994,973,693.25	4,014,841,089.10

4.2 Income statement from July to September 2007

Prepared by Lu Thai Textile Co., Ltd.

July - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company

I. Total sales	1,068,702,713.400	847,210,229.810	862,549,419.270	662,069,407.880
Including: Sales	1,068,702,713.400	847,210,229.810	862,549,419.270	662,069,407.880
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	943,937,538.230	720,235,991.960	769,916,166.610	581,388,960.430
Including: Cost of sales	819,357,496.990	642,565,646.410	660,260,790.270	505,216,044.250
Interests expenses				
Handling charges and commission expenses				
Payments on surrenders				
Claim expenses-net				
Provision for insurance contract reserve				
Policyholder dividends				
Expenses for reinsurance accepted				
Taxes and associate charges	683,583.030	-142.450	893,590.320	
Selling and distribution expenses	26,450,634.220	12,030,211.000	19,258,925.570	9,206,332.830
Administrative expenses	63,145,875.370	45,435,085.370	67,066,805.850	53,374,781.830
Financial expense	34,299,948.620	20,205,191.630	22,436,054.600	13,591,801.520
Impairment loss				
Add: Gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)			24,530.990	-30,235.000
Including: Income form investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	124,765,175.170	126,974,237.850	92,657,783.650	80,650,212.450
Add: Non-business income	5,373,828.110	491,232.990	7,116,405.340	2,872,880.580
Less: Non-business expense	1,666,423.080	617,904.510	1,929,082.270	641,059.120
Including: Loss from non-current asset disposal				
IV. Total profit ("-" means loss)	128,472,580.200	126,847,566.330	97,845,106.720	82,882,033.910
Less: Tax expense	14,473,120.470	10,952,086.390	6,046,938.630	3,433,045.910
V. Net profit ("-" means loss)	113,999,459.730	115,895,479.940	91,798,168.090	79,448,988.000
Attributable to holding company	114,272,813.230	115,895,479.940	83,597,747.160	79,448,988.000
Minority interest	-273,353.500		8,200,420.930	
VI. Earnings per share				
(I) -Basic	0.135	0.137	0.198	0.188
(II) -Diluted	0.135	0.137	0.198	0.188

4.3 Income statement from January to September 2007

Prepared by Lu Thai Textile Co., Ltd.

January - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company

I. Total sales	2,805,387,003.050	2,265,979,550.360	2,216,023,827.460	1,794,542,583.940
Including: Sales	2,805,387,003.050	2,265,979,550.360	2,216,023,827.460	1,794,542,583.940
Interests income				
Premium income				
Handling charges and commission income				
II. Total cost of sales	2,440,860,275.330	1,933,412,376.920	1,927,996,651.060	1,542,122,660.130
Including: Cost of sales	2,121,741,463.990	1,754,662,793.990	1,636,286,946.230	1,354,401,509.700
Interests expenses				
Handling charges and commission expenses				
Payments on surrenders				
Claim expenses-net				
Provision for insurance contract reserve				
Policyholder dividends				
Expenses for reinsurance accepted				
Taxes and associate charges	1,951,149.340		2,000,540.820	
Selling and distribution expenses	76,579,270.350	31,171,973.430	55,837,087.160	26,742,206.560
Administrative expenses	149,362,551.500	100,452,503.770	159,127,872.860	116,533,501.030
Financial expense	91,225,840.150	47,125,105.730	74,744,203.990	44,445,442.840
Impairment loss				
Add: Gain/(loss) from change in fair value ("-" means loss)				
Gain/(loss) from investment ("-" means loss)	-70,874.430	-70,874.430	-1,420,045.500	-677,420.850
Including: Income form investment on affiliated enterprise and jointly enterprise				
Foreign exchange difference ("-" means loss)				
III. Business profit ("-" means loss)	364,455,853.290	332,496,299.010	286,607,130.900	251,742,502.960
Add: Non-business income	19,908,468.370	19,202,845.710	24,751,364.840	16,321,105.260
Less: Non-business expense	4,615,900.700	2,459,593.010	7,365,419.700	2,936,393.080
Including: Loss from non-current asset disposal				
IV. Total profit ("-" means loss)	379,748,420.960	349,239,551.710	303,993,076.040	265,127,215.140
Less: Tax expense	44,634,037.580	37,310,616.880	34,031,539.310	26,259,448.370
V. Net profit ("-" means loss)	335,114,383.380	311,928,934.830	269,961,536.730	238,867,766.770
Attributable to holding company	327,174,633.600	311,928,934.830	257,130,399.000	238,867,766.770
Minority interest	7,939,749.780		12,831,137.730	
VI. Earnings per share				
(I) -Basic	0.387	0.369	0.609	0.565
(II) -Diluted	0.387	0.369	0.609	0.565

4.4 Cash Flow Statement from Year-begin to the end of this report period

Prepared by Lu Thai Textile Co., Ltd.

January - September 2007

Unit: RMB Yuan

Items	This report period		The same period of last year	
	Consolidation	Parent company	Consolidation	Parent company

I. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services	3,337,397,988.27	2,094,378,176.58	2,244,644,005.21	1,715,447,636.84
Cash received on deposits and from banks and other financial institutions				
Net increased cash received on borrowings from central bank				
Cash received on placements from other financial institutions				
Premium received				
Cash received from reinsurance				
Net increased amount received on policyholder deposit and investment				
Cash received from disposal of held for trading financial assets				
Interests, handling charges and commission received				
Cash received on placements from bank, net				
Cash received under repurchasing, net				
Refund of tax and fare received	59,761,680.12	36,575,567.07	38,768,934.38	30,982,021.13
Other cash received relating to operating activities	142,347,202.93	123,260,359.80	14,300,345.84	28,751,530.46
Sub-total of cash inflows	3,539,506,871.32	2,254,214,103.45	2,297,713,285.43	1,775,181,188.43
Cash paid for goods and services	2,179,277,132.35	1,307,779,990.04	1,118,768,965.81	1,063,912,974.82
Loans and advances drawn				
Cash paid to central bank, banks and other financial institutions, net				
Claims paid				
Interests, handling charges and commission paid				
Dividends paid to policyholders				
Cash paid to and on behalf of employees	336,345,537.63	269,355,963.29	241,003,877.68	190,209,473.46
Tax and fare paid	62,349,990.19	23,413,975.15	75,779,283.76	28,494,588.87
Other cash paid relating to operating activities	100,701,831.44	-10,425,962.29	103,581,530.22	60,994,806.95
Sub-total of cash outflows	2,678,674,491.61	1,590,123,966.19	1,539,133,657.47	1,343,611,844.10
Net cash flow from operating activities	860,832,379.71	664,090,137.26	758,579,627.96	431,569,344.33
II. Cash Flows from Investment Activities:				
Cash received from return of investments	116,884,296.43	116,884,296.43	827,555.00	827,555.00
Cash received from investment income			419,436.10	-30,235.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	104,061.69	80,000.00	622,791.00	
Proceeds from sale of subsidiaries and other operating units			15,197,293.19	17,134,640.00
Other cash received relating to investment activities	3,239,875.60	2,165,189.42	4,781,420.39	4,144,290.57
Sub-total of cash inflows	120,228,233.72	119,129,485.85	21,848,495.68	22,076,250.57
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	792,434,478.56	502,976,114.98	443,175,181.53	284,393,591.35
Cash paid for acquiring investments		94,806,600.00	105,996,737.95	220,000,000.00
Net cash used in loans				
Net cash used in acquiring subsidiaries and other operating units				

Other cash paid relating to investment activities		63,500,000.00	165,612.33	19,165,195.33
Sub-total of cash outflows	792,434,478.56	661,282,714.98	549,337,531.81	523,558,786.68
Net cash flow from investing activities	-672,206,244.84	-542,153,229.13	-527,489,036.13	-501,482,536.11
III. Cash Flows from Financing Activities:				
Cash received from absorbing investment	40,000,000.00		40,000,000.00	
Including: Cash received from increase in minority interest				
Cash received from borrowings	2,211,137,457.51	1,698,141,757.51	1,376,313,261.94	1,086,313,261.94
Cash received from issuing debentures				
Other proceeds relating to financing activities	2,000,000.00		19,270,098.14	20,098.14
Sub-total of cash inflows	2,253,137,457.51	1,698,141,757.51	1,435,583,360.08	1,086,333,360.08
Cash paid for settling debt	2,224,492,524.36	1,644,230,915.74	1,350,387,885.76	848,909,140.36
Cash paid for distribution of dividends or profit or reimbursing interest	232,931,880.64	201,356,277.98	184,915,476.79	152,025,551.69
Including: dividends or profit paid to minority interest				
Other cash payments relating to financing activities	3,020,000.00		33,528,091.74	48,008.21
Sub-total of cash outflows	2,460,444,405.00	1,845,587,193.72	1,568,831,454.29	1,000,982,700.26
Net cash flow from financing activities	-207,306,947.49	-147,445,436.21	-133,248,094.21	85,350,659.82
IV. Effect of foreign exchange rate changes	779,120.93	1,266,790.06	-414,904.32	353,889.13
V. Increase in cash and cash equivalents	-17,901,691.69	-24,241,738.02	97,427,593.30	15,791,357.17
Add : Cash and cash equivalents at the beginning of the period	324,339,162.29	210,182,921.71	215,134,149.92	121,874,295.73
VI. Cash and cash equivalents at the end of the period	306,437,470.60	185,941,183.69	312,561,743.22	137,665,652.90

4.5 Auditor's report

Auditor's opinion: un-audited