

Summary of 2019 Annual Report of Shenzhen Textile (Holdings) Co., Ltd.

I. Important notes

The summary is abstract from full-text of annual report, for more details information, investors should find in the full-text of annual report that published on website of Shenzhen Stock Exchange and other website appointed by CSRC.

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

Non-standard auditor's opinion

Applicable Not applicable

Preliminary plan for profit distribution to the common shareholders or turning the capital reserve into the share capital for the reporting period, which has been reviewed and approved at the board meeting

Applicable Not applicable

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

Preliminary plan for profit distribution to the preference shareholders for the reporting period which has been reviewed and approved at the board meeting

Applicable Not applicable

II. Basic information about the company

1. Company profile

Stock abbreviation	Shen Textile A, Shen Textile B	Stock code	000045, 200045
Stock exchange for listing	Shenzhen Stock Exchange		
Contact person and contact manner	Board secretary	Securities affairs Representative	
Name	Jiang Peng	Li Zhenyu	
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2. Brief introduction to the main business or products in the reporting period

1. Main Business the Company

The company's main business covered such the high and new technology industry as represented by LCD polarizer, its own property management business and the retained business of high-end textile and garment.

In the report period, no significant change happened to the main business of the Company. Firstly, driven by innovation, the company has continuously improved the production capacity and product quality of polarizer through a series of measures such as reforming the production line equipment, increasing the speed of the

production line, optimizing the process by taking advantage of the production line, and prolonging the service life of liquid medicine. Secondly, it took multiple measures to reduce costs and speed up the introduction of new customers. It has effectively reduced the comprehensive loss rate, completed the introduction and replacement of various protective films and chemical materials, and controlled the production cost by optimizing the process of liquid replenishment concentration; Under the severe market environment and the situation that customer production reduction and inventory control, it has actively developed high margin orders and new panel customers such as LGD, SDP and HKC, which effectively improved the sales profit of products and the stability of customer structure. Thirdly, the Company has actively promoted the construction of Line 7 project: it has further strengthened the monitoring and management of budget, progress, quality and other aspects, and actively promoted the technical exchange with Nitto Denko and Kunshan Zhiqimei. The civil engineering construction of Line 7 started on April 18, 2019, and the main factory building has been capped on December 30, 2019 as planned. Fourthly, the property companies have strengthened its management services and improved their efficiency. Although the downturn in the real economy has caused some pressure to property leasing, all property companies have increased their management efforts to improve service quality, and the rental situation is stable with a rental rate up to 100%. Fifthly, due to the impact of Sino-US trade friction, orders have decreased sharply. The textile industry has stepped up its innovation efforts, actively explored new customers, exploited its potential in depth, and achieved sustained profits for two years. Sixthly, it has strengthened safety and environmental protection, maintained the harmony and stability of enterprises, always put safety and environmental protection production in a prominent position, implemented the responsibility system of work safety, pursued safe and green production, and actively fulfilled social responsibilities.

As a type of upstream raw materials of LCD panels and one of essential and fundamental materials in the panel display industry, polarizers are widespread used in a variety of areas, LCD panels and OLED panels for smart phones, tablet PCs and TV sets, instruments, apparatuses, sunglasses, and light filters of camera equipment, to name a few. At the moment, the Company has 6 mass polarizer production lines for making products that cover such areas as TN, STN, TFT, OLED, 3D, dye films, and optical films for touch screens and are primarily used in TV, NB, navigators, Monitor, vehicle-mounted, industrial control, instruments, apparatuses, smart phones, wearable equipment, 3D glasses, sunglasses and other products, based on which, the Company has become a qualified supplier to China Star Optoelectronics Technology (CSOT), BOE, Inovision Optoelectronics (IVO), Shenchao Optoelectronic, LGD, Tianma and other major panel enterprises through constant extension of its marketing channels and building of its own brand.

2. The Company's main products made in each polarizer production line and their application are as follows:

Line	Place	Product breadth	Planned capacity	Main products
Line 1	Pingshan	500mm	600,000 m ²	TN/STN/ dye film
Line 2	Pingshan	500mm	1.2 million m ²	TN/STN/CSTN
Line 3	Pingshan	650mm	1 million m ²	TN/STN/CSTN/TFT
Line 4	Pingshan	1490mm	6 million m ²	TN/STN/CSTN/TFT
Line 5	Pingshan	650mm	2 million m ²	TFT
Line 6	Pingshan	1490mm	10 million m ²	TFT/OLED
Line 7 (Under construction)	Pingshan	2500mm	32 million m ²	TFT/OLED

(II) Company's business model

The priority of the polarizer industry is gradually shifting from the conventional research & development-production-sales business model to the customer-oriented business model of joint research & development and full service. The Company reduced production links and costs and created value for customers and a win-win situation through cooperation by understanding customers' needs, making high-quality products through joint research & development and high-standard production management and using advanced polarizer rolling and attaching equipment in conjunction with downstream panel manufacturers' production lines.

(III) Major factors for driving the Company's performance

Refer to "III. Analysis on core competitiveness" in this section for details.

(IV) Development stage and periodic characteristics of the industry where the Company is involved and the Company's position in the industry

Refer to "IX. Company's outlook for future development" in Section IV for details.

In the future, the Company will deepen driving the mixed-ownership reform work and strengthen strategic cooperation based on more than 20 years of industrial operation experience and regional advantages. To be specific, the Company will further optimize its equity structure, invigorate its operation and promote its production technology and business management standards through integration of resources in the polarizer and optical film industries; meanwhile, the Company will spare no effort to push forward the construction of an ultra-wide polarizer production line to occupy the highly lucrative jumbo LCD TV polarizer product market; in addition to working on the polarizer industry, the Company will make a leaping development towards the optical film industry to make SAPO Photoelectric a bigger and stronger enterprise.

3. Major accounting data and financial indicators

(1) Major accounting data and financial indicators for the last three years

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

Yes No

In RMB

	2019	2018	Changed over last year (%)	2017
Operating income (RMB)	2,158,184,855.71	1,272,356,771.34	69.62%	1,475,545,719.72
Net profit attributable to the shareholders of the listed company (RMB)	19,679,910.43	-22,980,624.93	185.64%	52,776,101.46
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	-41,179,849.56	-65,404,429.81	37.04%	3,140,446.26
Cash flow generated by business operation, net (RMB)	383,145,788.50	-460,494,321.15	183.20%	-28,518,702.31
Basic earning per share (RMB/Share)	0.04	-0.04	200.00%	0.10
Diluted gains per share (RMB/Share) (RMB/Share)	0.04	-0.04	200.00%	0.10
Weighted average ROE (%)	0.75%	-0.96%	1.71%	2.23%
	End of 2019	End of 2018	Changed over last year (%)	End of 2017
Gross assets (RMB)	4,531,399,885.99	4,619,203,416.79	-1.90%	4,195,746,507.56
Net assets attributable to shareholders of the listed company (RMB)	2,727,764,144.36	2,373,329,991.86	14.93%	2,397,474,603.79

(2) Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	592,839,958.12	416,023,337.38	631,655,475.88	517,666,084.33
Net profit attributable to the shareholders of the listed company	10,381,938.06	-2,549,650.08	9,061,067.98	2,786,554.47
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	7,034,190.76	-17,582,772.96	-1,542,112.46	-29,089,154.90
Net Cash flow generated by business operation	23,567,172.13	259,190.22	262,706,321.30	96,613,104.85

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

Yes No

4. Share capital and shareholders

(1) Number of holders of ordinary shares and preference shares with restored voting right and Top 10 shareholders

In shares

Total number of common shareholders at the end of the reporting period	31,622	Total shareholders at the end of the month from the date of disclosing the annual report	32,552	The total number of preferred shareholders voting rights restored at period-end(if any)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report(if any)	0
Shareholdings of top 10 shareholders							
Shareholders	Nature of shareholder	Proportion of shares held(%)	Number of shares held at period -end	Amount of restricted shares held	Number of share pledged/frozen		
					State of share	Amount	
Shenzhen Investment Holdings Co., Ltd.	State-owned legal person	45.96%	234,069,436				
Shenzhen Shenchao Technology Investment Co., Ltd.	State-owned Legal person	3.17%	16,129,032				
Lu Yunlong	Domestic Nature person	0.67%	3,400,450				
Sun Huiming	Domestic Nature person	0.63%	3,224,767				
Li Songqiang	Domestic Nature person	0.56%	2,873,078				
Kuang Guowei	Domestic Nature person	0.29%	1,452,800				
Zhang Ling	Domestic Nature person	0.27%	1,400,000				
Zhu Ye	Domestic Nature person	0.27%	1,360,545				
Hong Fan	Domestic Nature person	0.26%	1,338,900				
Jiang Zilan	Domestic Nature person	0.23%	1,187,500				

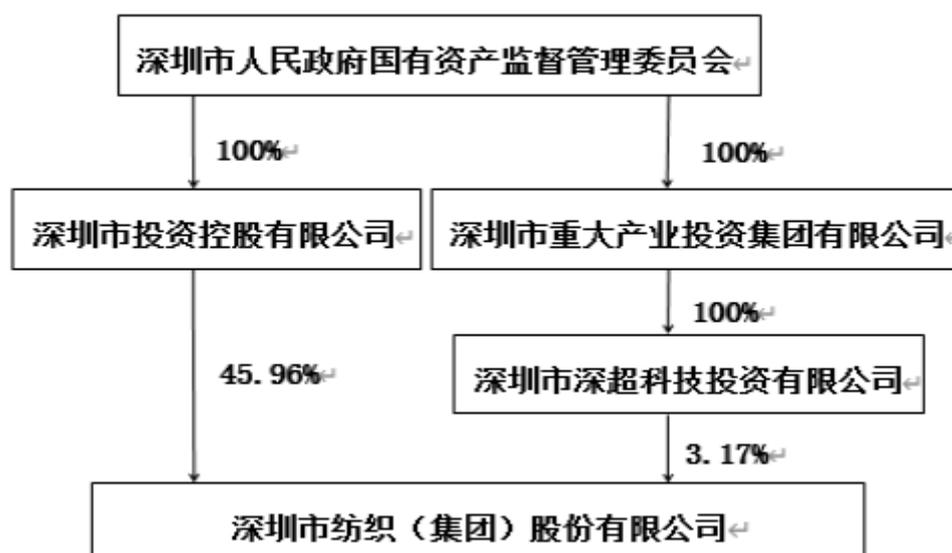
Related or acting-in-concert parties among shareholders above	Shenzhen Shenchao Technology Investment Co., Ltd. is a wholly-owned subsidiary of Shenzhen Investment Holdings Co., Ltd., According to the decision of the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government, Shenzhen Shenchao Technology Investment Co., Ltd was transferred to Shenzhen Major Industrial Investment Group Co., Ltd in June 2019. Shenzhen Investment Holdings Co., Ltd and Shenzhen Shenchao Technology Investment Co., Ltd are both controlled by the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government, so they are persons acting in concert. Except this, the Company did not whether there is relationship between the top ten shareholders holding non-restricted negotiable shares and between the top ten shareholders holding non-restricted negotiable shares and the top 10 shareholders or whether they are persons taking concerted action defined in Regulations on Disclosure of Information about Shareholding of Shareholders of Listed Companies.
Explanation on shareholders participating in the margin trading business(if any)	The Company Shareholder Li Songqiang holds 2,872,653 shares of the Company through stock account with credit transaction ; The Company Shareholder Zhu Ye holds 1,182,045 shares of the Company through stock account with credit transaction; The Company Shareholder Jiang Zilan holds 1,187,500 shares of the Company through stock account with credit transaction.

(2) Number of the preference shareholders and the shareholdings of the top 10 of them

Applicable Not applicable

No preference shareholders in the reporting period

(3) Relationship between the Company and its actual controller in the form of diagram



5. Corporation bonds

Corporate Bonds Indicate by tick market whether the Company has any corporate bonds publicly offered and listed on the stock exchange, which were undue before the date of this Report' s approval or were due but could not be redeemed in full.

No

III. Discussion and Analysis of the Management

1. Business Operation summary in the reporting period

In 2019, facing the challenges and tests of repeated Sino-US trade frictions and increasingly severe polarizer business situation, the Company took reducing losses and increasing profits of the main polarizer business as its

work focus, led all employees to overcome difficulties, and did solid work to improve business. While fully pushing forward the construction of ultra-wide polarizer project and improving the main polarizer business, the Company revitalized its stock assets, stimulated business vitality, ensured the continuous growth of property leasing's revenue and maintained a steady and orderly development trend.

In 2019, the Company realized the operating income of 2.158 billion yuan, an increase of 69.62% over the same period of the previous year; the total profit of 9.5324 million yuan, an increase of 117.84% over the same period of the previous year; the net profit attributable to owners of the parent company of 19.6799 million yuan, an increase of 185.84% over the same period of the previous year. Phase II Line 6 in the second half of 2018, the release of production capacity in the current year, and the year-on-year increase in sales; Imports of equipment that had been prepaid in 2018 were completed during the reporting period, and commodity trade revenue increased year on year. The net profit attributable to shareholders of listed companies increased significantly year on year, mainly due to the increase in non-recurring profits and losses, with an impact amount of 78,913,700 yuan, mainly including non-current asset disposal income, investment and wealth management income and government subsidy income, among which, the Company transferred 50% of the equity of Haohao Property to realize an after-tax net profit of 41,611,400 yuan; The selling price of polarizer products has been low since the sharp drop in 2018. The order structure adjustment of major products has not met expectations, plus the selling price of TN/STN products fallen sharply due to the shrinking sales in the end product market, and the increase in purchasing cost and exchange loss caused by the devaluation of RMB exchange rate have offset the contribution of the sales increase to net profit.

Review of the company's key works carried out in 2019 as follows:

(I) Polarizer's operating capability has been improved

In 2019, firstly the Company, oriented by the market, optimized the product structure, and further released the production capacity, with a great increase in polarizer sales area; Secondly, it has actively explored the market, strengthened communication with key customers and sped up the certification of new products. In 2019, it has explored new panel customers such as LGD, SDP and HKC. While effectively improving the sales profit of Line 4/6 products, it has further expanded the customer base and maintained the stability of the customer structure; Thirdly, it has taken innovation as the motive force to improve the product quality and reduce the production cost by continuously optimizing the production process; Fourthly, it has actively striven for support funds for scientific research policies, with a total of 68.27 million yuan.

Meanwhile, the Company continued to explore R&D innovation and intensify the development of independent intellectual property rights. Its research and development were combined with the actual market conditions to carry out product development and market promotion and import, so as to improve product performance. In 2019, 8 coating materials and 4 protective films were successfully introduced through new product development; A total of 8 patents have been applied, including 7 invention patents and 1 utility model patent; A total of 9 patents have been authorized, including 3 patents for inventions and 6 patents for utility models.

(II) Turned losses into profits for textile business, while property enterprises rose steadily.

In 2019, under the circumstance that the Sino-US trade friction led to a sharp drop in domestic demand and export orders for textile and clothing, the Company, on the one hand, stabilized its existing customers and actively exploited the market; On the other hand, optimized internal management, intensified R&D and innovation efforts, developed high-margin products, enhanced income-generating capacity, and realized the profitability of textile business for two consecutive years.

In 2019, the Company further strengthened various management and service concepts of property enterprises, scientifically coped with the adverse effects of the economic downturn and the downturn in the market on the rental and management of various properties, and made every effort to well ensure rental management. It strove to increase rental income through vigorously improving service quality, implementing standardized management, strengthening rectification of potential safety hazards, refining management processes, saving expenses and increasing efficiency. The leasing situation of all property enterprises is stable, with a rental rate up to 100%.

(III) Facilitated construction of jumbo TV polarizer industrialization project with effort

In 2019, the Company actively promoted the construction of the polarizer industrialization project for ultra-large TV (Line 7). Firstly, the main factory building of the Line 7 project was capped, and the factory acceptance, customs declaration and import of equipment, transportation to the factory and other related work were carried out simultaneously; Secondly, the Company further strengthened the monitoring and management of budget, schedule, quality and other aspects in the process of project construction; Thirdly, it actively promoted the research and development of some raw materials, basically determined the supply of main raw materials

corresponding to the 2,500mm width production line, and solved the supply problem of raw materials matching the 2,500mm ultra-wide polarizer production in 2020.

(IV) Revitalized the existing assets, optimized the allocation of resources, and concentrated resources on developing the main business of polarizer

In order to further revitalize the Company's existing assets, concentrate resources on its main business and fully support the development of main business of polarizer, the Company has listed and transferred its 50% equity in Haohao Property through Shenzhen United Property and Share Rights after deliberation and approval by the 22nd meeting of the 7th Board of Directors and the 2nd Extraordinary General Meeting in 2019. The 50% equity of Haohao Property has been publicly listed on Shenzhen United Property and Share Rights from November 14, 2019 to December 18, 2019 and as of the expiration of the listing announcement, an intended transferee, Urban Construction Group emerged. Both parties have signed the Property Rights Transaction Contract on December 19, 2019. This transaction realized an investment income of 55,481,800 yuan, which had a positive impact on the company's annual performance in 2019.

(V) Strengthened safety awareness and earnestly well ensured safety and environmental protection

Firstly, it has attached great importance to the work safety, implemented the main responsibility system for work safety, and implemented the responsibility for work safety to each individual, so that the responsibility is specific and the division of labor is clear. Secondly, by centralized rectification and focused investigation, it has eliminated potential safety hazards, and carried out on-site surprise inspections for 7 times in all affiliated enterprises. 196 potential safety hazards and problems were found in the inspections, and rectification has been completed. Thirdly, it has actively promoted the construction of safety standardization and dual prevention mechanisms, and implemented cross-checking and rectification. Fourthly, it has focused on supervising the construction of Line 7 project and prevented safety accidents; It has standardized the safety management of hazardous chemicals in enterprises, actively carried out fire emergency drills, and established and improved safety management files for special equipment. In 2019, it has continued to well ensure environment-friendly treatment in waste water and waste gas, discharged them according to standards and achieved zero complaints.

(VI) Constant reinforcement of foundation and strengthening of primary Party building work

The Company has fully implemented Xi Jinping's new era characteristic socialism thought and the spirit of the 19th National Congress of the Communist Party of China, insisted on strengthening Party self-discipline and developing democracy, continuously strengthened the party organization's political guidance to the enterprise, strengthened the ideological & political and organizational construction, continuously tamped the party construction foundation, and earnestly performed the main responsibility; The superior and bottom levels worked together to carry out in-depth education activities on the theme of "Stay true to the mission" and continuously strengthened the "four consciousnesses", firmly established the "four self-confidence" and achieved the "two maintenance".

2. Material change in principal activities during the reporting period

Yes No

3. Products accounting for over 10% of revenue or profit from principal activities of the Company

Applicable Not applicable

In RMB						
Name	Operating income	Operating profit	Gross profit rate(%)	Increase/decrease of operating income in the same period of the previous year(%)	Increase/decrease of operating profit over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
Lease and Management of Property	106,372,055.25	92,485,181.26	77.32%	8.18%	119.23%	3.60%
Textile	46,047,351.10	801,439.83	14.94%	-2.42%	16.56%	2.02%
Polarizer sheet	1,429,757,296.56	-121,855,790.81	4.25%	71.80%	-7.57%	0.18%
Trade	517,020,991.54	32,146,314.83	6.46%	79.06%	106.83%	0.49%

4. Seasonal or cyclical operations requiring special attention

Yes No

5. Significant YoY changes in the operating revenues, operating costs and net profits attributable to the common shareholders or their composition

Applicable Not applicable

During the reporting period, the Company's operating income increased by 885.8281 million yuan year on year, with a year-on-year increase of 69.62%. It was mainly caused by the following factors: Firstly, Line 6 was put into production in the second half of 2018 and its production capacity was released this year, which greatly increased the sales revenue of Line 6 products; Secondly, the trade revenue of the year increased significantly year on year; Thirdly, the sales volume of Line 5 products increased due to the influence of market conditions, and the sales revenue increased year on year.

During the reporting period, the net profit attributable to ordinary shareholders of listed companies increased by 4,266.05 yuan, with a year-on-year increase of 185.64%. It was mainly caused by the following factors: Firstly, the net sales interest rate of trade business was relatively high, and the net profit of trade business increased year on year due to the year-on-year increase in trade income; Secondly, the disposal of long-term equity investment increased the investment income year on year.

6. Suspension in trading or delisting

Applicable Not applicable

7. Events relating to the financial report

(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

Applicable Not applicable

I. Changes in accounting policies

(I) Accounting policy changes caused by implementation of new financial instrument standards

In 2017, the Ministry of Finance revised and promulgated the Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (the above four standards are collectively referred to as "New Financial Instrument Standards"), which are required to come into force on January 1, 2019 for domestic listed enterprises. According to the regulations, the Company will implement the new financial instrument standards from January 1, 2019 and adjust the relevant contents of accounting policies. The Company began to implement the new financial instrument standards at the time required by the Ministry of Finance after adopting a proposal at the 18th meeting of the 7th board of directors of the Company on April 25, 2019.

The Company retrospectively applies the new financial instrument standards, but for classification and measurement (including impairment) involving the inconsistency between the previous comparative financial statement data and the new financial instrument standards, the Company chooses not to repeat. Therefore, for the cumulative impact of the first implementation of this standard, the Company adjusted the retained earnings or other comprehensive earnings at the beginning of 2019 and the amount of other related items in the financial statements, which were not restated in the financial statements of 2018.

The main changes and impacts of the implementation of the new financial instrument guidelines on our Company are as follows:

- The structural deposits held by the Company were originally classified as other current assets, reclassified by the Company as financial assets measured at fair value and recorded in current profits and losses on or after January 1, 2019, and reported as transactional financial assets;

- On January 1, 2019 and beyond, the Company designated non-tradable equity investments held as financial assets measured at fair value and included their changes in other comprehensive income, and reported them as investments in other equity instruments;

-In its daily fund management, the Company endorsed or discounted some bank acceptance bills, aiming at both receiving the contract cash flow and selling financial assets. Therefore, the Company reclassified these bills receivable into financial asset categories measured at fair value with changes included in other comprehensive income and reported them as receivables financing on or after January 1, 2019.

(II) Other accounting policy changes

1. The Company prepared 2019 annual financial statements in accordance with the requirements of the Ministry of Finance's Notice on Revising and Issuing the Format of General Enterprise Financial Statements for 2019 (CK [2019] No.6), Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition) (CK [2019] No.16) and the Accounting Standards for Enterprises. Retroactive adjustment method is adopted for such accounting policy changes.

2. The Company will implement the revised Accounting Standards for Business Enterprises No.7-Exchange of Non-monetary Assets from June 10, 2019 and the revised Accounting Standards for Business Enterprises No.12-Debt Restructuring from June 17, 2019. The accounting policy change shall be handled by the future applicable method.-

II. Changes in accounting estimates

No significant changes in accounting estimates have occurred in the current period.

(2) Major accounting errors within reporting period that needs retrospective restatement

Applicable Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period

(3) Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable Not applicable

No changes in consolidation statement scope in the reporting period

The Board of Directors of Shenzhen Textile (Holdings) Co., Ltd.

March 14, 2020