

# Summary of 2020 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 found 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 plan of Converting provident fund to share capital .

Applicable  Not applicable

The company's common stock profit distribution plan approved by the board of directors this time is: based on 507,772,279 shares, a cash dividend of 0.3 yuan (tax included) will be distributed to all shareholders for every 10 shares, and 0 shares of bonus shares (tax included) will be given away. Increase share capital.

The profit distribution plan for preferred stocks for the reporting period passed by the board of directors

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.

During the reporting period, the company's main business did not have big change. Firstly, The company adjusted its marketing strategy, optimized its customer and product structure, and successfully completed the introduction and mass production of multiple projects for panel customers such as LGD, Huaxing Optoelectronics, Huike, and Sharp to further enhance its anti-risk and profitability capabilities. Secondly, Actively promote cost reduction and quality improvement, reduce costs through various measures such as increasing machine speed, equipment and technological transformation, upgrading the level of automation in the back-end, and broadening procurement channels, while taking into account the improvement of product quality. Thirdly, actively respond to the Covid-19, overcome the adverse effects, and make every effort to promote the construction of the ultra-large-size TV polarizer industrialization project (line 7). The line 7 project was affected by the epidemic and resumed work in mid-March 2020. The company adopted strict control of the epidemic Measures such as prevention and control, actively coordinating the entry of Japanese technical personnel into the factory, and formulating a special assessment plan for the construction of Line 7 projects to accelerate the progress of the project to the greatest extent.. Fourthly, in order to jointly respond to the novel coronavirus pneumonia epidemic and actively fulfill social responsibilities, the company and its wholly-owned enterprises responded to the call of the Shenzhen Municipal Party Committee and the State-owned Assets Supervision and Administration Commission to reduce or exempt some tenants of self-owned properties (except residential properties) for 3 months . Fifthly, the textile industry makes full use of my country's advantages of effective epidemic prevention and control and early resumption of work and production, actively seizing market share, and achieving both growth in operating income and net profit. Sixthly, in order to improve the company's overall asset operation capability and revitalize the stock assets, the company implements transfer and liquidation work for the poorly managed shareholding companies, and concentrates on the development of the polarizer business. Seventhly, implement the epidemic prevention and control work, pay attention to safe and green production, the company has set up a special class for epidemic prevention and control, and formed an efficient epidemic prevention work mechanism with division of responsibility, layer-by-layer transmission, and coordination to ensure the implementation of various deployment measures, centralized rectification, and focus Investigate safety and environmental issues, promote the safe and stable development of enterprises, and actively fulfill social responsibilities.

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

Polarizers are the upstream raw material of LCD panels and one of the key basic materials in the flat panel display industry. They are widely used in smart phones, tablet computers, TVs and other LCD panels, OLED display panels, as well as sunglasses. The company currently has 6 mass-produced polarizer production lines. The products cover TN, STN, TFT, OLED, 3D, dye films, optical films for touch screens and other fields. They are mainly used in TV, NB, navigator, Monitor, automotive, industrial control, Instruments, smart phones, wearable devices, 3D glasses, sunglasses and other products, the company has become a mainstream panel company such as Huaxing Optoelectronics, BOE, Sharp, LGD, Shenzhen Tianma, Huike, etc. by continuously strengthening sales channel expansion and building its own brand. Qualified suppliers.

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 <sup>2</sup>	TN/STN/ dye film
Line 2	Pingshan	500mm	1.2 million m <sup>2</sup>	TN/STN/CSTN
Line 3	Pingshan	650mm	1 million m <sup>2</sup>	TFT
Line 4	Pingshan	1490mm	6 million m <sup>2</sup>	TFT
Line 5	Pingshan	650mm	2 million m <sup>2</sup>	TFT
Line 6	Pingshan	1490mm	10 million m <sup>2</sup>	TFT/OLED
Line 7	Pingshan	2500mm	32 million m <sup>2</sup>	TFT/OLED

(3)Company's business model

The polarizer industry has gradually shifted from a traditional business model of R&D, production, and sales to a customer-centric, joint research and development, and comprehensive service business model. By understanding customer needs, joint research and develop, manage high-standard production, manufacture high-quality products, use advanced polarizer roll and attaching equipment to cooperate with downstream panel manufacturers' production lines, reduce production links, reduce production and transportation costs, and create value for customers, win-wins.

## (4) Major factors for driving the Company's performance

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

## (5) 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 rely on more than 20 years of industrial operation experience and location advantages to continue to deepen the reform of mixed ownership and strengthen strategic cooperation. Through the integration of industrial resources, improve production technology and management level; at the same time, seize market opportunities, make every effort to promote the construction of ultra-wide polarizer production line, and seize the high-margin ultra-large-size LCD TV polarizer product market; make polarizers well The industry also extends to other flat-panel display-related optical film industries, and then becomes stronger, bigger and better.

**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

	2020	2019	Changed over last year (%)	2018
Operating income (RMB)	2,108,964,687.80	2,158,184,855.71	-2.28%	1,272,356,771.34
Net profit attributable to the shareholders of the listed company (RMB)	37,267,995.74	19,679,910.43	89.37%	-22,980,624.93
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company(RMB)	18,084,607.04	-41,179,849.56	143.92%	-65,404,429.81
Cash flow generated by business operation, net (RMB)	1,930,932.76	383,145,788.50	-99.50%	-460,494,321.15
Basic earning per share(RMB/Share)	0.07	0.04	75.00%	-0.04
Diluted gains per share(RMB/Share)(RMB/Share)	0.07	0.04	75.00%	-0.04
Weighted average ROE(%)	1.36%	0.75%	0.61%	-0.96%
	2020	2019	Changed over last year (%)	2018
Gross assets (RMB)	4,969,547,552.23	4,531,399,885.99	9.67%	4,619,203,416.79
Net assets attributable to shareholders of the listed company (RMB)	2,766,234,174.39	2,727,764,144.36	1.41%	2,373,329,991.86

## (2) Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	384,038,897.58	472,274,451.16	616,632,602.23	636,018,736.83
Net profit attributable to the shareholders of the listed company	-5,827,092.54	6,546,827.28	24,726,413.83	11,821,847.17
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-9,495,160.00	2,377,214.57	20,780,909.95	4,421,642.52
Net Cash flow generated by business operation	-84,585,231.55	-51,034,243.68	85,768,341.55	51,782,066.44

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

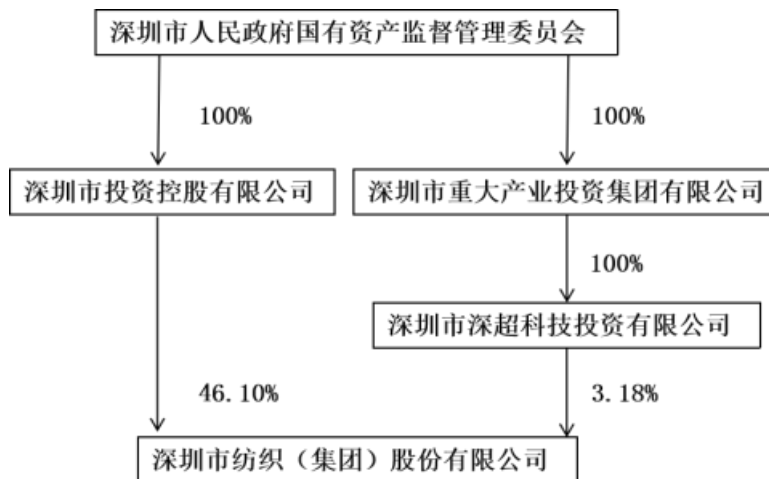
In shares

Total number of common shareholders at the end of the reporting period	29,622	Total shareholders at the end of the month from the date of disclosing the annual report	28,741	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	46.10%	234,069,436				
Shenzhen Shenchao Technology Investment Co., Ltd.	State-owned	3.18%	16,129,032				
Sun Minghui	Domestic Nature person	0.64%	3,224,767				
Su Weipeng	Domestic Nature person	0.56%	2,823,066				
Chen Xiaobao	Domestic Nature person	0.49%	2,509,100				
Deng Yan	Domestic Nature person	0.45%	2,277,700				
Shen Zhenxing	Domestic Nature person	0.35%	1,765,300				
Wang Zhongjin	Domestic Nature person	0.33%	1,678,000				
Hou Xiulan	Domestic Nature person	0.32%	1,612,591				
Li Zengmou	Domestic Nature person	0.31%	1,598,797				
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. After the completion of the transfer, Shenzhen Investment Holdings Co., Ltd., the controlling shareholder of the company, no longer holds the equity of Shenzhen Shenchao Technology Investment Co., Ltd., and Shenzhen Shenchao Technology Investment Co., Ltd. is changed to a wholly-owned subsidiary of the Industrial Investment Group. Shenzhen Investment Holdings Co., Ltd. and Shenzhen Shenchao Technology Investment Co., Ltd. no longer constitute a concerted person relationship.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 )	Company shareholder Chen Xiaobao holds 2,332,700 shares through a credit transaction secured securities account						

(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 2020, in the face of the adverse impact of the COVID-19 epidemic, the company did its best to prevent and control the epidemic and resume work and production, strive to reduce losses and increase profits in the main work of polarizer, speed up the construction of Line 7 project, respond to the call of the municipal party committee and government, the municipal State-owned Assets Supervision and Administration Commission and Shenzhen Investment Control, and reduce rent and fees to support the real economy to overcome difficulties.

In 2020, the company achieved operating income of 2.109 billion yuan, 2.28% less than the same period last year; The total profit was 51,218,900 yuan, an increase of 437.31% over the same period last year; Net profit attributable to shareholders of the listed company was 36.93338 million yuan, an increase of 87.67% over the same period last year. Revenues fall modestly from last year, the main reason is to jointly cope with COVID - 19 outbreak, actively fulfill the social responsibility, the company and its wholly owned enterprises response to the call of shenzhen municipal party committee municipal government and the state-owned assets supervision and administration, breaks its own property (in addition to residential property) of a part of the tenant: 3 months this year, the rental income fell during the reporting period; Second, during this reporting period, the subsidiary SAPO Photoelectri did not carry out trade business, and the income from trade business decreased compared with the same period last year. the main reason of the net profit year-on-year growth of Attributable to shareholders of listed companies is benefit from improving of two to four quarter polaroid 2020 market conditions, adjustment effect of SAPO Photoelectri orders for products structure is remarkable, capacity has improved, the average gross margin level has improved, main business of polarizer turned a loss into a profit this year.

Review of the company's key works carried out in 2020 as follows:

(1) main business of polarizer turned a loss into a profit

In 2020, first, the company will adjust its marketing strategy, optimize its customer and product structure, and successfully complete the introduction and mass production of multiple projects for panel customers such as LGD, Huaxing Optoelectronics, Huike, and Sharp, to further improve anti-risk and profitability; Second, the company actively promotes cost reduction and quality improvement, reducing costs and improving product quality through a number of measures such as increasing machine speed, equipment and technological transformation, upgrading the level of automation in the back-end, and broadening procurement channels, while

also improving product quality; third, increasing talent Recruitment efforts, reforming the salary structure, and stimulating the vitality of employees..

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 2020., we carried out R&D and import of a variety of coating adhesive materials, key technology processes, and new products, totaling 13 items. we applied for 8 patents, including 2 invention patents and 6 utility model patents, obtained 4 authorized patents, including 3 invention patents and 1 utility model patent.

(2)The profitability of the textile business rose steadily, property companies responded to the call for rent reduction and exemption.

At the beginning of 2020, due to the impact of the novel coronavirus pneumonia epidemic, my country's textile and garment industry exports were blocked. The company took the initiative to overcome labor shortages and other difficulties, and took full advantage of my country's effective epidemic prevention and control and early resumption of production to actively seize market share and achieve both growth in operating income and net profit.

In 2020, the company actively responded to the call of the Municipal Party Committee and the Municipal Government, fulfilled its social responsibilities, implemented property rent reduction measures, and reduced or exempted eligible tenants from rent for three months.

(3)Actively promote the construction of the industrialization project of ultra-large-size TV polarizer

At the beginning of 2020, the novel coronavirus pneumonia epidemic had a certain impact on the company's construction of the company's ultra-large-size TV polarizer industrialization project (hereinafter referred to as "Line 7"). The company actively responded to it. While doing a good job in epidemic prevention, the company actively cooperated with the government. Departmental communication, one is to promote the full resumption of work of the Line 7 project on March 12, 2020, the other is to overcome difficulties and to promote two groups of Japanese technicians to arrive at the factory, and the third is that the company has formulated a special assessment plan for the line 7 project to fully mobilize the enthusiasm of project personnel And initiative. Through the implementation of various measures, the project construction progress will be accelerated to the greatest extent.

As of December 31, 2020, the civil engineering of the Line 7 project has basically been completed, and the preliminary acceptance of the clean area of the main production workshop has been completed; in terms of process equipment, the main equipment such as the extension machine, the coating machine, and the anti-checking machine has been installed and commissioned In the stage, the overall commissioning will be completed in late March 2021 and enter trial production.

(4)Effectively organize epidemic prevention and control, production safety, stable and orderly

During the reporting period, the company first strengthened organization and leadership to effectively prevent and control the epidemic. A special class for epidemic prevention and control has been set up to refine the division of responsibilities, form an efficient epidemic prevention work mechanism with division of responsibility, layer-by-layer transmission, and coordination, and weave a network of epidemic prevention responsibility to ensure that various deployment measures are implemented to effectively protect the lives of employees. The second is to increase investment in environmental protection, and production is safety,stable and orderly. The company pays attention to environmental protection and safety, continuously increases safety investment, and at the same time fully implements the regulations on the main responsibility of production safety for production and business units.

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

In 2020, the company's party committee, under the correct leadership of the municipal SASAC party committee and the investment control company's party committee, will thoroughly study and implement Xi Jinping's thoughts on socialism with Chinese characteristics in the new era. General Secretary Xi Jinping will attend the 40th anniversary celebration of the establishment of the Shenzhen Special Economic Zone and inspect Guangdong and Shenzhen. The spirit of the speech and important instructions and the spirit of the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China, resolutely implement the feedback from the inspections of the superior party committee, and carry out the party member education "five one" project activities and the "one enterprise, one brand" party building innovation activities, and actively give full play to all levels The role of party organizations and party members in epidemic prevention and control and resumption of work and production provides a strong guarantee for the reform, development and stability of enterprises.

**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

Name	Operating income	Operating profit	Gross profit rate(%)	In RMB		
				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	1,951,751,693.25	9,849,335.07	10.97%	36.51%	108.08%	6.72%
Textile	85,177,866.03	38,683,399.63	74.30%	-19.92%	-58.17%	-3.02%
Polarizer sheet	60,503,325.78	2,119,203.22	19.89%	31.39%	164.42%	4.95%

**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 net profit attributable to shareholders of listed companies was RMB 37,268,800, an increase of 89.37% over the same period of the previous year. The main reason is that benefiting from the continuous improvement of the polarizer market in the second to fourth quarters of 2020, the subsidiary SAPO Optoelectronics has made significant adjustments to the product order structure, increased production capacity, and improved average gross profit. The main business has turned losses into profits this 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

During the reporting period, the changes in the company's accounting policies and accounting methods are detailed in "Section 12 Financial Report V. Important Accounting Policies and Accounting Estimates 34. Changes in Important Accounting Policies and Accounting Estimates" of this report.

(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

As of December 31, 2020, the company has included 8 subsidiaries in the consolidation scope. For details, please refer to "Section 12 Financial Report IX. Equity in Other Entities 1. Equity in Subsidiaries" in this report. The scope of the company's consolidation this year increased by one over the previous year. For details, please refer to "Section 12 Financial Report 8. Changes in Consolidation Scope" of this report.

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

March 12, 2021