

Stock code: 000045, 200045 Stock Abbreviation: Shen Textile A, Shen Textile B Announcement No.: 2020-37

## Shenzhen Textile (Holdings) Co., Ltd.

### Summary of the Semi-Annual Report 2020

#### I. Important notes

The summary is abstract from full-text of summary of the semi-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.

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	
Office Address	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen	6/F, Shenfang Building, No.3 Huaqiang North Road, Futian District, Shenzhen	
Tel	0755-83776043	0755-83776043	
E-mail	jiangp@chinasthc.com	lizy@chinasthc.com	

##### 2. Major accounting data and financial indicators

May the Company make retroactive adjustment or restatement of the accounting data of the previous years

Yes  No

	Reporting period	Same period of last year	YoY+/- (%)
Operating income (RMB)	856,313,348.74	1,008,863,295.50	-15.12%
Net profit attributable to the shareholders of the listed company (RMB)	719,734.74	7,832,287.98	-90.81%
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of	-7,117,945.43	-10,548,582.20	32.52%

listed company (RMB)			
Cash flow generated by business operation, net (RMB)	-135,619,475.23	23,826,362.35	-669.20%
Basic earning per share (RMB/Share)	0.0014	0.0153	-90.85%
Diluted gains per share(RMB/Share)(RMB/Share)	0.0014	0.0153	-90.85%
Weighted average ROE(%)	0.03%	0.32%	-0.29%
	As at the end of the reporting period	As at the end of last year	YoY+/- (%)
Total assets (RMB)	4,476,298,874.25	4,531,399,885.99	-1.22%
Net assets attributable to shareholder of listed company (RMB)	2,730,559,277.47	2,727,764,144.36	0.10%

### 3.Shareholders and shareholding

In Shares

Total Number of common shareholders at the end of the reporting period		30,787	Number of shareholders of preferred stocks of which voting rights recovered in the report period (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 or share pledged/frozen	
					State of share	Amount
Shenzhen Investment Holdings Co., Ltd.	State-owned legal person	45.96%	234,069,436	0		
Shenzhen Shenchao Technology Investment Co., Ltd.	State-owned Legal person	3.17%	16,129,032	0		
Sun Huiming	Domestic Nature person	0.63%	3,224,767	0		
Shao Hua	Domestic Nature person	0.59%	3,000,000	0		
Li Songqiang	Domestic Nature person	0.56%	2,873,078	0		
Su Weipeng	Domestic Nature person	0.55%	2,823,066	0		
Lv Qiang	Domestic Nature person	0.46%	2,327,146	0		
Li Zengmao	Domestic Nature person	0.29%	1,478,697	0		
Kuang Guowei	Domestic Nature person	0.27%	1,400,200	0		
Hong Fan	Domestic Nature person	0.26%	1,338,900	0		
Explanation on shareholders participating in the margin trading business	Shenzhen Shenchao Technology Investment Co., Ltd. was 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)(See Notes 4)	The Company Shareholder Shao Hua holds 3,000,000 shares of the Company through stock account with credit transaction ; The Company Shareholder Li Songqiang holds 2,872,653 shares of the Company through stock account with credit transaction; The Company Shareholder Kuang Guowei holds 1,400,000 shares of the Company through stock account with credit transaction.

#### 4.Changing of controlling shareholder and practical controller of the Company.

Change of holding shareholder

Applicable  Not applicable

No change of holding shareholder in the report period.

Change of substantial controller

Applicable  Not applicable

No change of substantial controller in the report period.

#### 5.Number of preference shareholders and shareholdings of top 10 of them

Applicable  Not applicable

No preference shareholders in the reporting period

#### 6.Corporate bonds

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this report or were due but could not be redeemed in full?

No

### III. Performance discussion & analysis

#### 1. Performance Review for Reporting period

In the first half of 2020, facing the severe challenge of the sudden pneumonia epidemic in COVID-19, the company went all out to prevent and control the epidemic and resume production, made great efforts to ensure the main production and operation of polarizers, accelerated the construction of ultra-large TV polarizer line 7 project, responded to the call of the municipal government, municipal SASAC and Shenzhen Investment Holdings, and reduced rent and fees to support the real economy to overcome difficulties.

During the reporting period, the Company realized the operating income of RMB 856 million, representing a decrease of RMB153 million or 15.12% over the same period of last year; the total profit was RMB -3.7328 million, representing a decrease of RMB7.7789 million or 192.26% over the same period last year;the net profit of shareholders attributable to listed companies was RMB 719,700, which was RMB 7.1126 million lower than that of the same period last year and 90.81% lower than that of the same period last year.During the reporting period, the adjustment of the order structure of TFT-LCD Line 4/6 products achieved initial results, and the losses of polarizer business decreased significantly year on year. The main reasons for the decrease in net profit attributable to shareholders of listed companies compared with the same period of last year are as follows: Firstly, in order to jointly cope with the COVID-19 epidemic and actively fulfill social responsibilities, the company and its wholly-owned enterprises responded to the call of the Shenzhen Municipal Party Committee and Municipal Government and SASAC to reduce and exempt some rent of its own properties (except residential properties) in February and March of this year, and the rental income during the reporting period decreased significantly year-on-year; Secondly, during the reporting period, SAPO Photoelectric, a subsidiary, did not carry out trade business, and its income from trade business decreased year on year.

Reviewing the first half of 2020, the company focused on the key work, with contents as follows:

**(I) Various measures to improve the operation and profitability of polarizer business**

During the reporting period, the company carries out the general policy of "maintaining utilization and adjusting structure", adjusts customer orders, optimizes product structure, adjusts sales strategies, reduces the sales share of low and negative gross profit products, successfully completes the import and mass production of multiple products, reaches cooperation intention with some end customers, and makes use of the strict requirements of quality customers on quality, delivery time and cost to improve management level, timely understands market conditions and improves the company's operational capability. Secondly, it strengthens the process management of quality inspection, reduces the rate of customer complaints, and makes every effort to improve the speed of line production machine so as to increase production capacity and ensure the delivery of orders with good quality and quantity. Thirdly, it continuously optimizes the production and operation and reduces the cost. By improving the automation level, optimizing the supply chain system and strictly controlling the increase of inventory, the company reduces the operating cost in many ways.

Meanwhile, in order to improve the competitiveness of products and strengthen the research and development of independent intellectual property rights, the company has carried out a number of development and application of new products and materials and performance improvement projects of mass-produced products around the market demand, and completed the development and introduction of some products and materials on schedule, reducing costs and improving profitability through the application and development of new products and materials. During the reporting period, the company has applied for 2 patents (utility models), and 1 patent was granted a notice of authorization. With the two technical platforms of "Shenzhen Polarizing Materials and Technology Engineering Laboratory" and "Municipal Research and Development Center", the company focuses on the research and development and industrialization of the core production technology of LCD polarizers, the development and industrialization of new products of OLED polarizers, and the localization of raw materials for polarizer production, actively expands investment in research and development, horizontally explores innovative development of mature products, and enhances its sustainable development capability.

**(II) Actively promote the construction of Line 7 project**

Affected by the COVID-19, the company is faced with problems such as labor shortage, insufficient supply of engineering materials and equipment, limited transportation, etc. The construction of Line 7 project was not fully resumed until mid-March 2020. The company further strengthened the monitoring and management of budget, schedule, quality and other aspects, rearranged the construction time node, and is currently carrying out the purification and decoration engineering construction and the installation of extension machine equipment. It is planned to complete the main machine equipment debugging in February 2021, and start the trial production.

During the reporting period, the Company has prudently demonstrated that it will invest 147.2 million yuan in the construction of 1 RTP production line and 2 RTS production lines on the Line 7 project. The source of funds is its own funds and bank loans. The main reasons for this increase in investment are first to meet the needs of downstream panel customers and enhance the depth of customer cooperation; second, to help improve the overall production efficiency of the Line 7 project, simplify the production process, and effectively reduce production costs; third, to further improve Enterprise competitiveness provides guarantee for the successful operation of Line 7 project. For the above details, please refer to the "Announcement on the Increase of Investment and Construction Progress in the Industrialization Project of Polarizers for Ultra-large TVs (Line 7)" by Juchao Information Network (<http://www.cninfo.com.cn>) on April 30, 2020. (No. 2020-25).

**(III) Actively respond to the call of the Municipal Party Committee and the municipal government, and implement the property rent reduction measures**

In accordance with the spirit of the documents of the State-owned Assets Supervision and Administration Commission of the People's Republic of China and Shenzhen Investment Holdings on the implementation of Several Measures to Support Enterprises to Overcome Difficulties in Response to Pneumonia Infected by COVID-19 in Shenzhen, the company first issued and published the implementation measures for rent exemption and fee reduction during COVID-19 epidemic period. Non-state-owned enterprises, scientific research institutions, medical institutions, individual industrial and commercial households and operating natural persons who rent the properties of the company and their wholly-owned enterprises have been exempted of the rent for 2 months from February to March this year, which is RMB 13.6931 million according to statistics; Secondly, it sent a letter to 9 shareholders of all 6 participating holding enterprises including property leasing management, proposing that the participating holding enterprises reduce the rent for 2 months, so as to reduce the operating pressure for the entity operators. According to statistics, the participating holding enterprises reduced the rent by RMB 5.7702 million in total.

**(IV) Actively strive for policy support**

The company comprehensively combs the government's industrial development fund support policies, actively applies for the major award projects of the enterprise technical transformation support plan of the

Municipal Bureau of Industry and Information Technology, and applies for various support policies in various national ministries and commissions, relevant departments in Guangdong Province and Shenzhen City. As of the disclosure date of this report, enterprises have actively applied for subsidies for epidemic prevention and control funds and subsidies for projects under construction, totaling RMB 18.8654 million.

(V) Revitalize existing assets and focus on developing the main business

In order to improve the overall operational capability of the company's assets and revitalize existing assets, the company plans to jointly publicly list and transfer 20% equity of Shenzhen Xiangjiang Trading Co., Ltd. held by the company and 80% equity of Shenzhen Xiangjiang Trading Co., Ltd. held by Hunan Guofu Asset Management Co., Ltd., and the company has fulfilled the internal decision-making procedures. After confirming the transfer plan, it will publicly list and collect the intended transferee; Secondly, it well ensures the liquidation of Anhui Huapeng Textile Co., Ltd. and recovers the investment cost. At present, the shareholders of Anhui Huapeng Textile Co., Ltd. have reached an agreement on the employee resettlement and historical issues, and are further accelerating the liquidation work, and plan to complete the liquidation work by the end of this year; Thirdly, it accelerates the dissolution and liquidation of overseas textile and garment processing enterprises. Affected by the Sino-US trade war and epidemic situation, overseas garment processing enterprises that have been participating in the company's shareholding operation for many years are experiencing difficulties and sustained losses, and are gradually reducing their business and striving to complete the dissolution and liquidation work this year.

(VI) Implement epidemic prevention and control properly, and ensure safe production in a stable and orderly manner

Firstly, the company strengthens organizational leadership to effectively prevent and control the spread of the epidemic. The company has set up a special class for epidemic prevention and control, refined the division of responsibilities, enhanced the joint efforts of work, formed a coordinated and efficient epidemic prevention work mechanism with responsibilities according to division and level-by-level transmission, and enhanced the dense epidemic prevention responsibility network to ensure the implementation of various deployment measures and effectively protect the life safety and health of employees.

Secondly, it fully implements the responsibility system for work safety and deepen the investigation and management of potential safety hazards. At the beginning of the year, the company made clear regulations on the work safety of the enterprise, requiring all enterprises to implement the main responsibility of work safety and implement the one-vote veto system of work safety, and incorporate work safety into the annual performance appraisal of enterprise leaders. Meanwhile, the Safety Committee of the Company carried out on-site surprise inspections on construction sites such as Line 7 construction project, Lisi Building facade renovation project and Guanhua Building parking lot project, and issued timely rectification notices of potential safety hazards and problems, which were completed during the reporting period.

(VII) Implement inspection and rectification work and consolidate the foundation of party building

According to the work arrangement of the superior Party Committee, based on the study of the central group of the Party Committee and the "three sessions and one lesson", the company has earnestly carried out various forms of theoretical study, strengthened the annual special assessment of party building, the assessment of party branch secretary and the system construction, and consolidated the foundation of party building. According to the feedback from the Third Inspection Group of the Party Committee of SASAC, it formulates rectification measures, clarifies the time limit for rectification, timely submits rectification reports and publicize the rectification situation, compacts the inspection and rectification responsibilities, and makes overall plans to promote the implementation of rectification.

## 2. Matters related to financial report

### (1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

√ Applicable □ Not applicable

The content and reason for change of accounting policy	Approval process	Remarks
In 2017, the Ministry of Finance issued 4 new financial instrument standards including the revised <i>Accounting Standards for Business Enterprises No.22-Recognition</i>	Adopted at the 27th meeting of the 7th Board of Directors	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> On March 14, 2020 (Announcement No.: 2020-14)

<p><i>and Measurement of Financial Instruments</i> and the <i>Accounting Standards for Business Enterprises No.14-Revenue</i> (hereinafter referred to as the new revenue standard), which stipulated that enterprises listed at home and abroad at the same time, as well as enterprises listed overseas and adopting international financial reporting standards or accounting standards for business enterprises to prepare financial statements, should implement the new standards from January 1, 2018. According to regulations, the company will implement the new income standards from January 1, 2020, and adjust the relevant contents of accounting policies.</p>		
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(2) Reason for retrospective restatement to correct major accounting errors during the reporting period

Applicable  Not applicable

No such cases in the reporting period.

(3) Reason for changes in scope of the consolidated financial statements as compared to the financial report for the prior year

Applicable  Not applicable

No such cases in the reporting period.

The Board of Directors of Shenzhen Textile (Holdings) Co., Ltd.  
August 20, 2020