



**Shenzhou International  
Group Holdings Limited**  
**申洲國際集團控股有限公司\***

Stock Code 股份編號: 2313

# 2012

## Interim Results



# Agenda

- Financial Highlights
- Business Review
- Strategies and Plans
- Open Forum



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# Financial Highlights



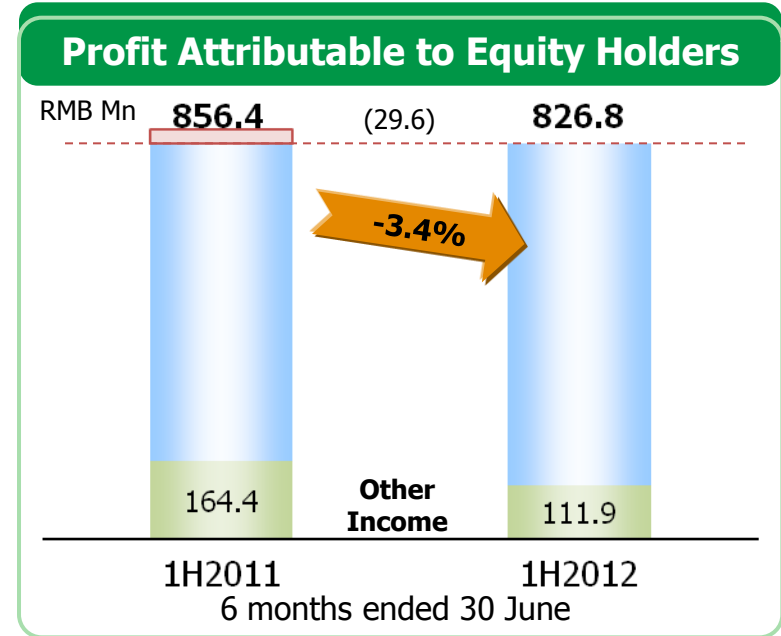
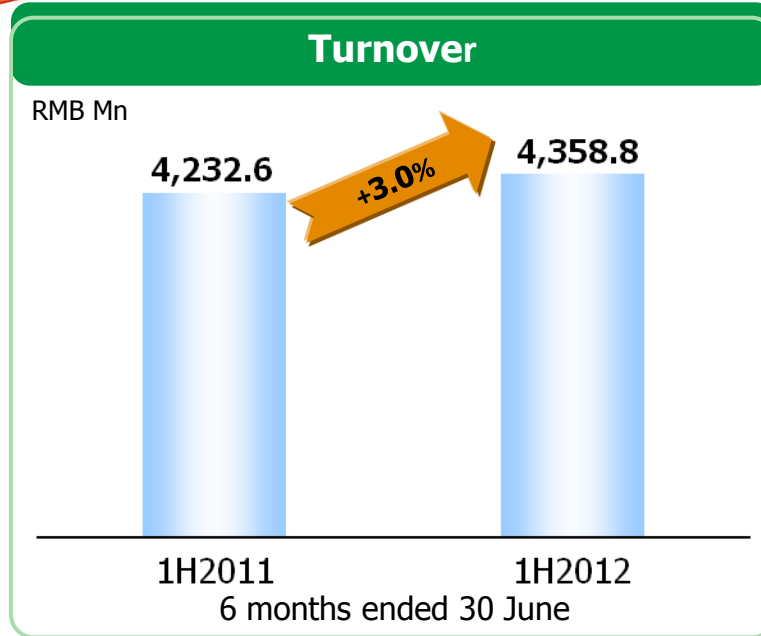
# Financial Highlights

<i>(RMB '000)</i>	6 months ended 30 June		
	<b>2012</b>	2011	<i>Change (%)</i>
<b>Turnover</b>	<b>4,358,808</b>	4,232,573	3.0
<b>Gross profit</b>	<b>1,289,868</b>	1,218,719	5.8
<b>Profit attributable to equity holders</b>	<b>826,833</b>	856,353	(3.4)
<b>Basic EPS (RMB)</b>	<b>0.65</b>	0.69	(5.8)





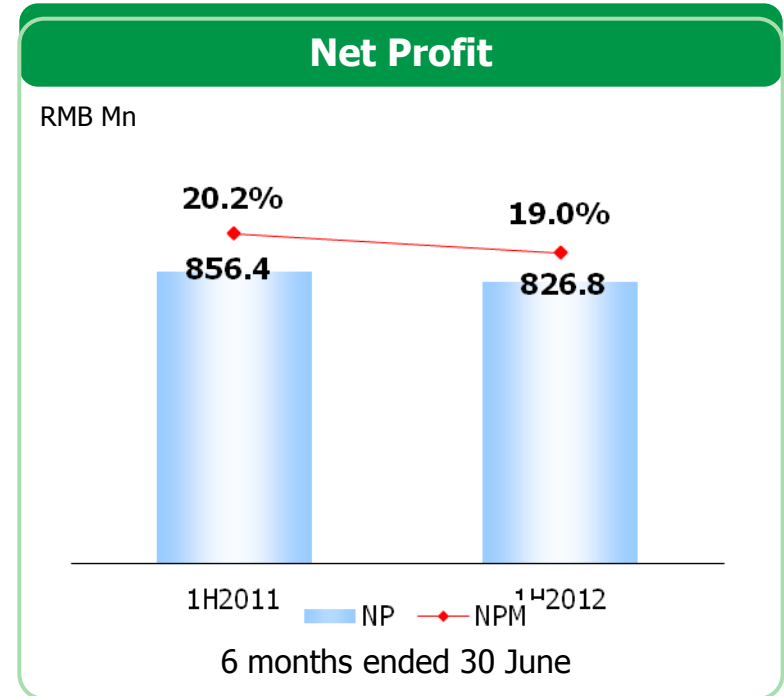
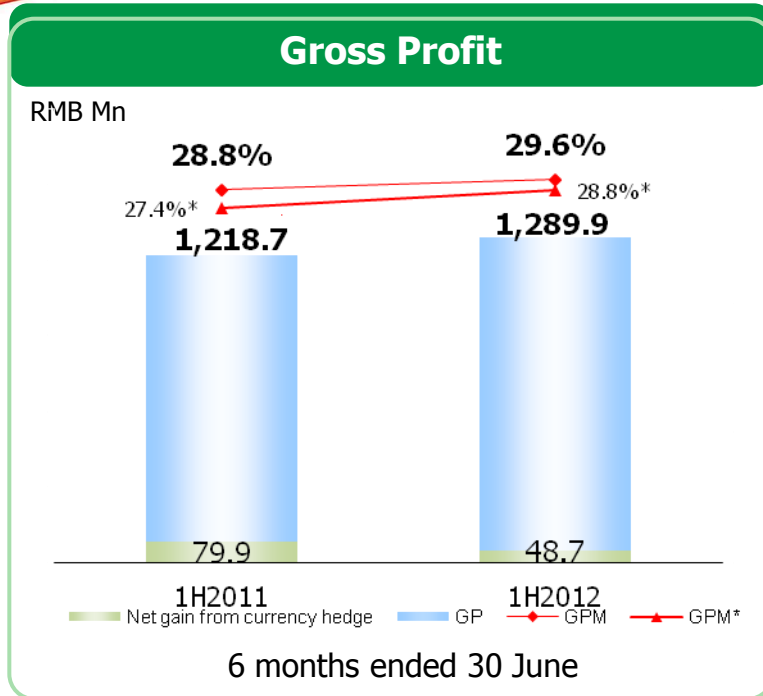
# Moderate Sales Growth



- **Moderate sales growth amid tough operating environment:**
  - Fully utilized production capacity through efficiency enhancement with lean production
  - No large scale of expansion on new production capacity over the past two years
  - Raw materials prices dropped, resulting in lower unit selling price
  - Consumption weakened by an ailing global economy



# Profit Margins Analysis



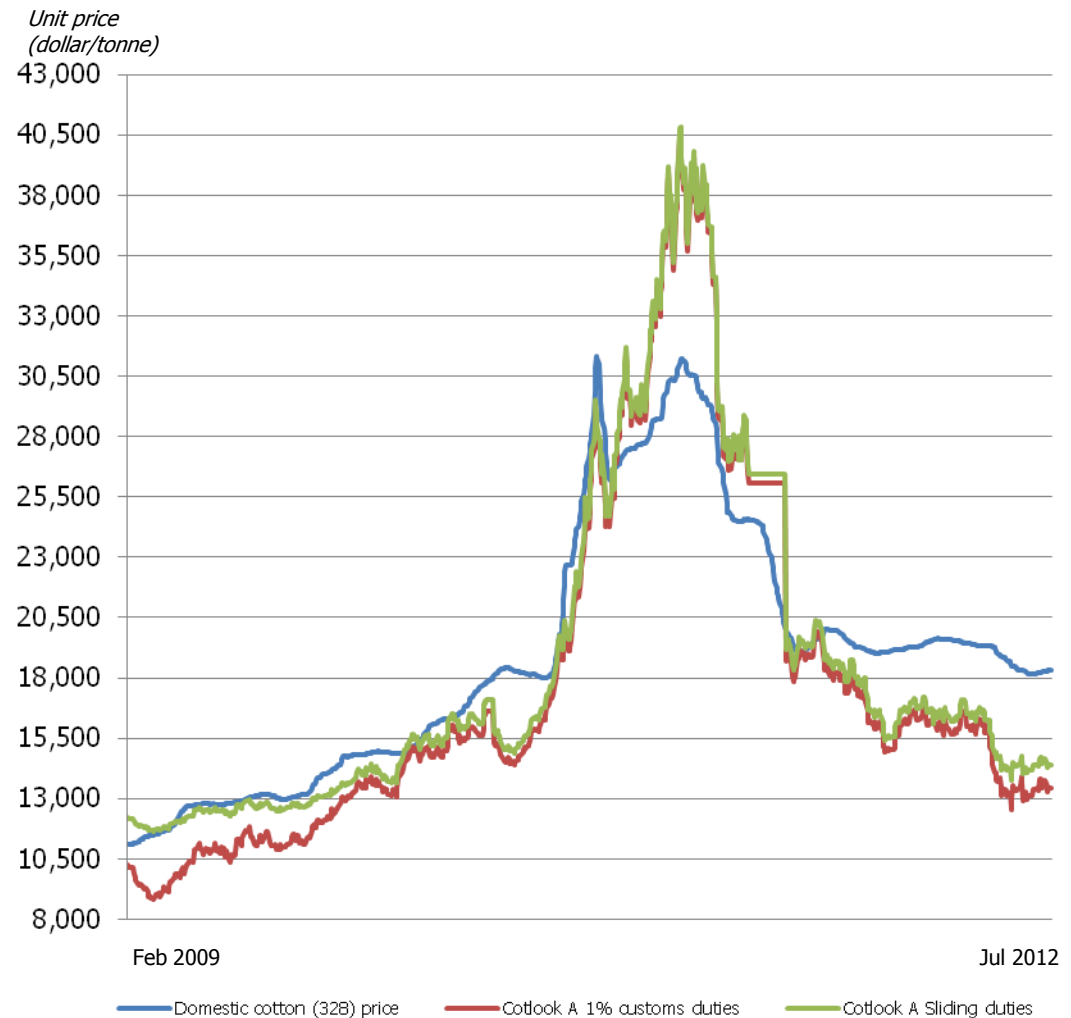
\*Excluding the gain from forward currency contract hedges

- **Gross profit margin improved by 0.8 P.P. mainly due to:**
  - Significant decrease in price of cotton yarn
  - Stabilized exchange rate of RMB against USD
  - Optimized product structure



# Domestic and International Cotton Prices

	Domestic cotton (328) price	Cotlook A 1% customs duties	Cotlook A sliding duties
Aug-10	18,005	16,270	16,755
Sep-10	22,684	19,572	20,024
Oct-10	26,760	24,142	24,550
Nov-10	26,248	24,277	24,682
Dec-10	27,508	28,966	29,325
Jan-11	28,682	32,566	32,890
Feb-11	30,313	36,007	36,296
Mar-11	30,128	36,976	37,256
Apr-11	26,927	28,756	29,117
May-11	24,478	27,266	27,266
Jun-11	24,056	26,053	26,441
Jul-11	20,123	18,694	19,155
Aug-11	19,307	18,987	19,445
Sep-11	19,533	19,546	19,999
Oct-11	19,716	17,948	18,416
Nov-11	19,201	16,985	17,463
Dec-11	19,086	15,451	15,944
Jan-12	19,247	16,291	16,780
Feb-12	19,505	16,224	16,690
Mar-12	19,462	16,563	17,045
Apr-12	19,351	16,050	16,551
May-12	18,731	13,116	14,181
Jun-12	18,164	13,113	14,179
Jul-12	18,323	13,428	14,411





# Turnover Breakdown by Products

- Steady growth in Sportswear turnover in domestic and international market
- Well-established long-term strategic cooperation with internationally renowned sports brands
- Shrinking consumer demand for casual wear and lingerie of the Group's Japanese customers

<i>6 months ended 30 June</i>						
	<b>2012</b>		<b>2011</b>		<b>Change</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>By products</b>						
Sports wear	<b>2,550,086</b>	58.5	2,274,093	53.7	275,993	<b>12.1</b>
Casual wear	<b>1,296,878</b>	29.8	1,386,391	32.8	(89,513)	<b>(6.5)</b>
Lingerie	<b>408,136</b>	9.4	454,567	10.7	(46,431)	<b>(10.2)</b>
Other knitting products	<b>103,708</b>	2.3	117,522	2.8	(13,814)	<b>(11.8)</b>
<b>Total</b>	<b>4,358,808</b>	100.0	4,232,573	100.0	126,235	<b>3.0</b>





# Turnover Breakdown by Regions

- Sales in Japanese market decreased mainly due to the weakening demand for apparel in Japanese consumer market
- Steady sales growth of 9.2% in European market driven by the increases in Sportswear sales
- Sales from the U.S. and other foreign markets increased by 9.3% and 57.3% respectively yoy
- Domestic sales decreased by 9.6% due to the reduction of procurement scale by domestic clients for inventory clearance

*6 months ended 30 June*

	<b>2012</b>		<b>2011</b>		<b>Change</b>	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
<b>Japan</b>	<b>1,347,848</b>	30.9	1,559,063	36.8	(211,215)	<b>(13.5)</b>
<b>Europe</b>	<b>997,585</b>	22.9	913,682	21.6	83,903	<b>9.2</b>
<b>United States</b>	<b>259,615</b>	6.0	237,616	5.6	21,999	<b>9.3</b>
<b>Other countries</b>	<b>887,976</b>	20.3	564,411	13.4	323,565	<b>57.3</b>
<b>Domestic market</b>	<b>865,784</b>	19.9	957,801	22.6	(92,017)	<b>(9.6)</b>
<b>Total</b>	<b>4,358,808</b>	100.0	4,232,573	100.0	126,235	<b>3.0</b>



## Key Financial Indicators

	<i>2012.06.30</i>	<i>2011.12.31</i>	<i>2011.06.30</i>
<b>Inventory turnover days</b>	<b>112</b>	107	119
<b>Debtor turnover days</b>	<b>56</b>	45	45
<b>Creditor turnover days</b>	<b>29</b>	28	31

	<i>2012.06.30</i>	<i>2011.12.31</i>	<i>2011.06.30</i>
<b>Gross gearing ratio</b> (debt to equity) (%)	<b>15.0</b>	20.5	32.8
<b>Net gearing ratio</b> (Net debt to equity) (%)	-	3.5	15.6
<b>Cash and Cash Equivalent</b> (RMB million)	<b>1,942.8</b>	1,029.6	892.5
<b>Net assets</b> (RMB million)	<b>7,296.7</b>	6,112.2	5,211.0
<b>Total assets</b> (RMB million)	<b>9,438.7</b>	8,549.6	8,229.9



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# Business Review



# Major Achievements in 1H2012

## Optimization in planning of production base

- Construction of a new garment factory Phase II in Cambodia underway
- Production expected to commence in phases in 2H2012
- Advantages of Cambodia:
  - Enjoys labor cost advantages over China
  - Preferential tariffs granted by garment importing countries such as EU
- Establish a new garment factory in Huqing, Huhui Province, to further enhance production efficiency
- Identify suitable overseas production bases to better consolidate and utilize global resources
- New textile factory in Ningbo is expected to commence production in 4Q 2012



## Major Achievements in 1H2012 *(cont'd)*

### Structural refinement of products

- Sales of Sportswear surpassed casual wear in terms of percentage to total sales by 29 p.p., accounting for 58.5% of the total revenue
- Less vulnerable to volatility in Sportswear market mainly attributable to the diversified client base compared to casual wear market
- Great emphasis on soliciting of new customers and improving overall competitive edges, providing a strong backup for business expansion





# Optimization of Product Structure

## Sports wear customers



## Casual wear customers

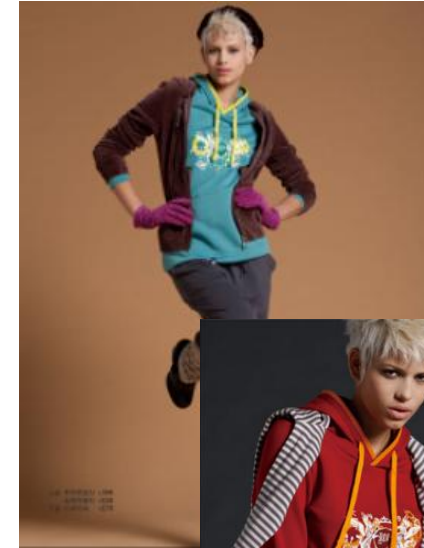


- Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 53.6% (2011: 46.1%) of Group's total turnover
- Increasing orders from domestic and international clients thanks to the growing demand for sportswear



# Retail Business Update

- Remained cautious for retail expansion in view of the current economic climate
- Opened two directly-operated stores in Shaoxing, Zhejiang Province during the period, and one directly-operated store in Ningbo in early August
- Target to reach 15 stores by the end of 2012





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# Strategies & Plans





# Future Strategies

## Production

- Resources integration in different countries
- Expansion of overseas production bases
- Establishment of overseas management team

## Integrated Competitiveness

- Product diversification and innovation
- Technological enhancement
- Expansion of clientele

## Market Development

- Strengthen co-operations with domestic customers
- Expand retail business steadily



**Further solidify  
the leading  
position in the  
industry**



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# Open Forum