



SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED

申洲國際集團控股有限公司*

Stock Code 股份編號 : 2313

ANNUAL RESULTS 2019

March 2020



Agenda

| | | Page |
|---|----------------------|------|
| 1 | Financial Highlights | 3 |
| 2 | Business Review | 15 |
| 3 | Strategies and Plans | 22 |
| 4 | Open Forum | 26 |



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FINANCIAL HIGHLIGHTS



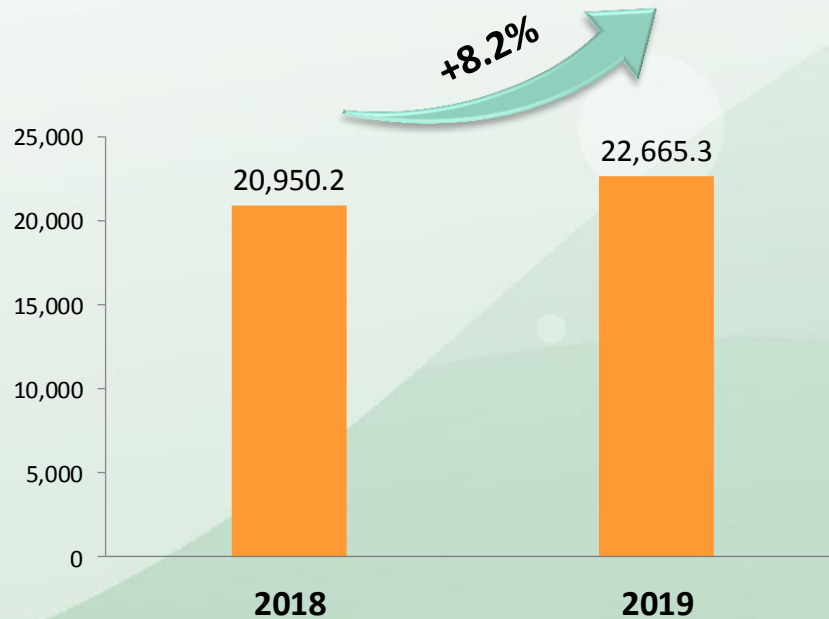
Financial Highlights

| (RMB '000) | 2019 | 2018 | % Change |
|---------------------------------------|------------|------------|----------|
| Turnover | 22,665,272 | 20,950,205 | +8.2 |
| Gross profit | 6,876,021 | 6,614,024 | +4.0 |
| Profit attributable to equity holders | 5,095,206 | 4,540,487 | +12.2 |
| Basic EPS (RMB) | 3.39 | 3.02 | +12.3 |
| Total dividend(HK\$) | 1.90 | 1.75 | +8.6 |
| - Interim dividend(HK\$) | 0.90 | 0.85 | +5.9 |
| - Final dividend (HK\$) | 1.00 | 0.90 | +11.1 |

Sales Analysis

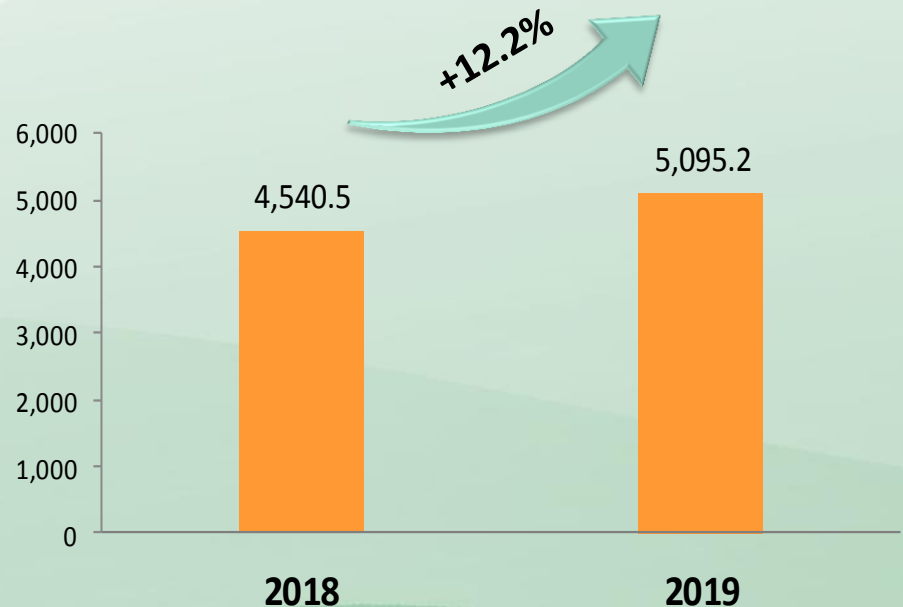
Turnover

(RMB million)



Profit Attributable to Equity Holders

(RMB million)

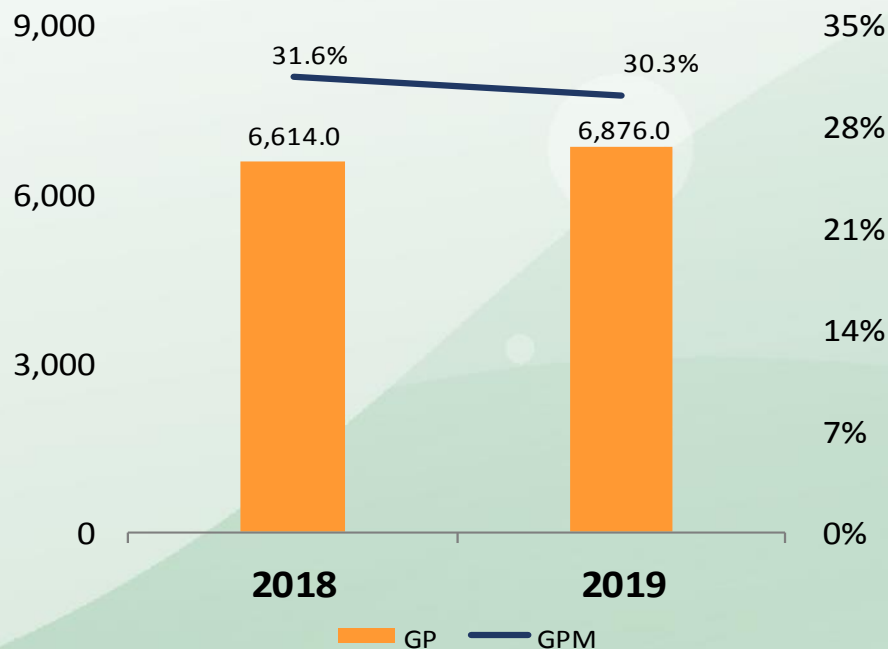


- Maintained satisfactory growth in revenue and achieved decent operating results
 - The order demand from our major customers maintained an ideal growth
 - The productivity of the Group's overseas production bases further enhanced
 - Excluding the impacts on revenue caused by the scale-down of retail business, revenue from the Group's manufacturing business increased by **10.1%** and net profit to shareholders increased by **14.1%**

Profit Margins Analysis

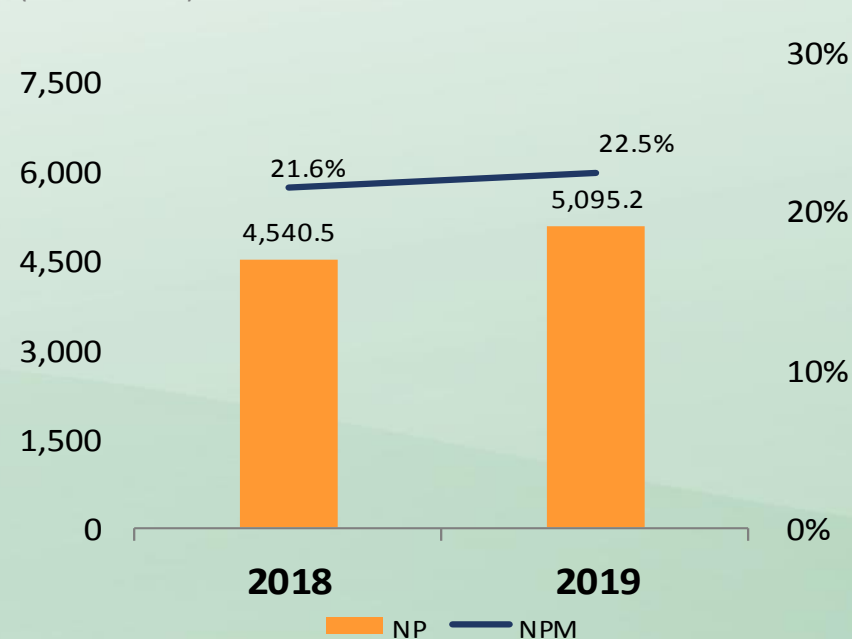
Gross Profit

(RMB million)



Net Profit Attributable to Equity Holders

(RMB million)



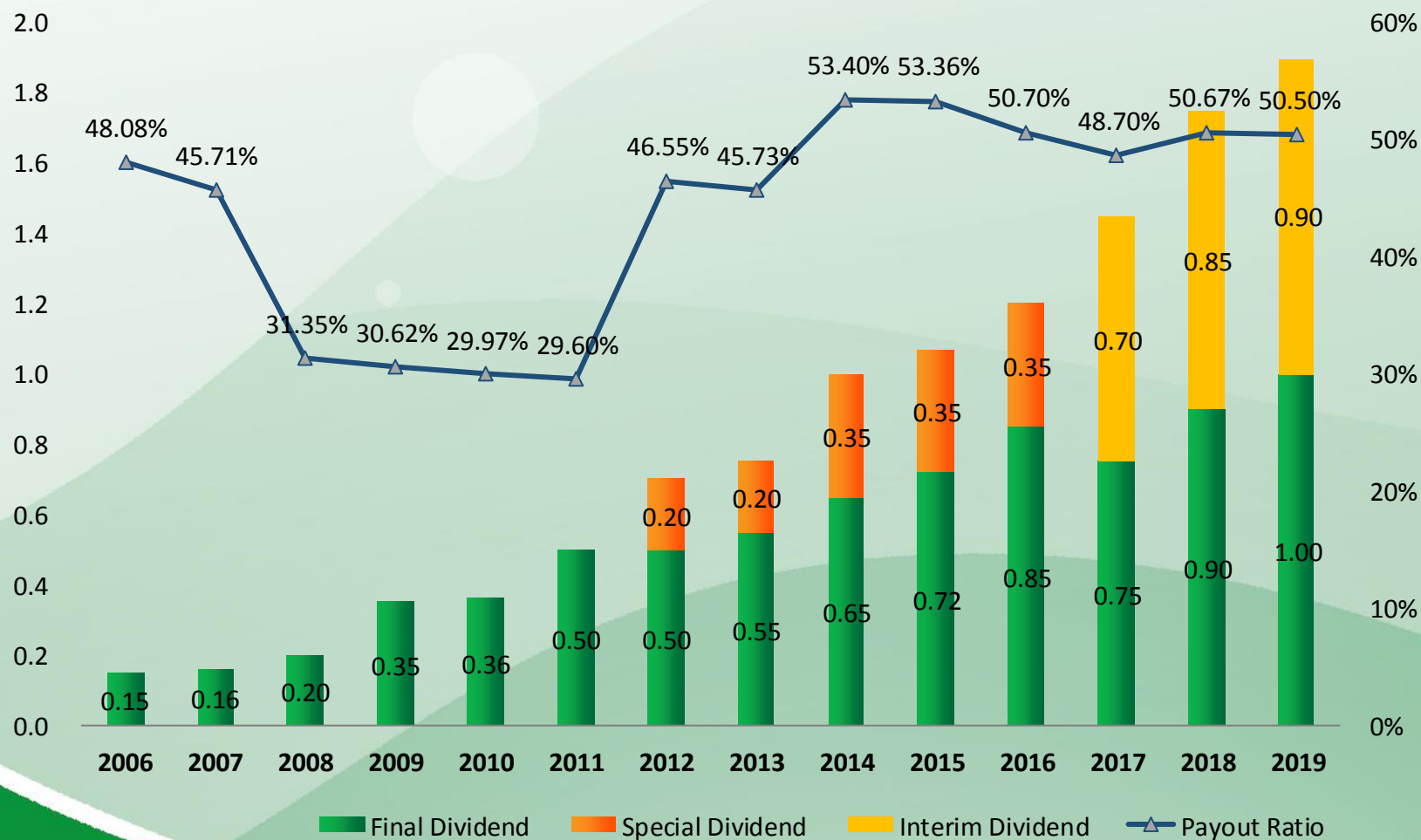
- Overall gross profit margin slightly decreased by 1.3p.p. to 30.3%, mainly due to:
 - The discounted sales in proprietary for clean up inventory due to the scale-down of the Group's retail business
 - The rise in labour costs and increase in average procurement prices of dyestuffs and chemicals
 - The increase in energy consumption costs due to adjustment of the energy structure
- Excluding retail business operation, gross profit margin was 30.8%, slightly decreased by 0.34p.p. from 31.14%; net profit margin to shareholder up by 0.84p.p. from 22.76% to 23.6%

Net Profit Analysis

| (RMB '000) | 2019 | 2018 | % Change |
|---------------------------------------|------------------|------------------|--------------|
| Net profit to equity holders | 5,095,206 | 4,540,487 | +12.2 |
| Retail business loss (Sharing 51%) | 143,033 | 50,125 | |
| Net Profit (adjusted) | 5,238,239 | 4,590,612 | +14.1 |

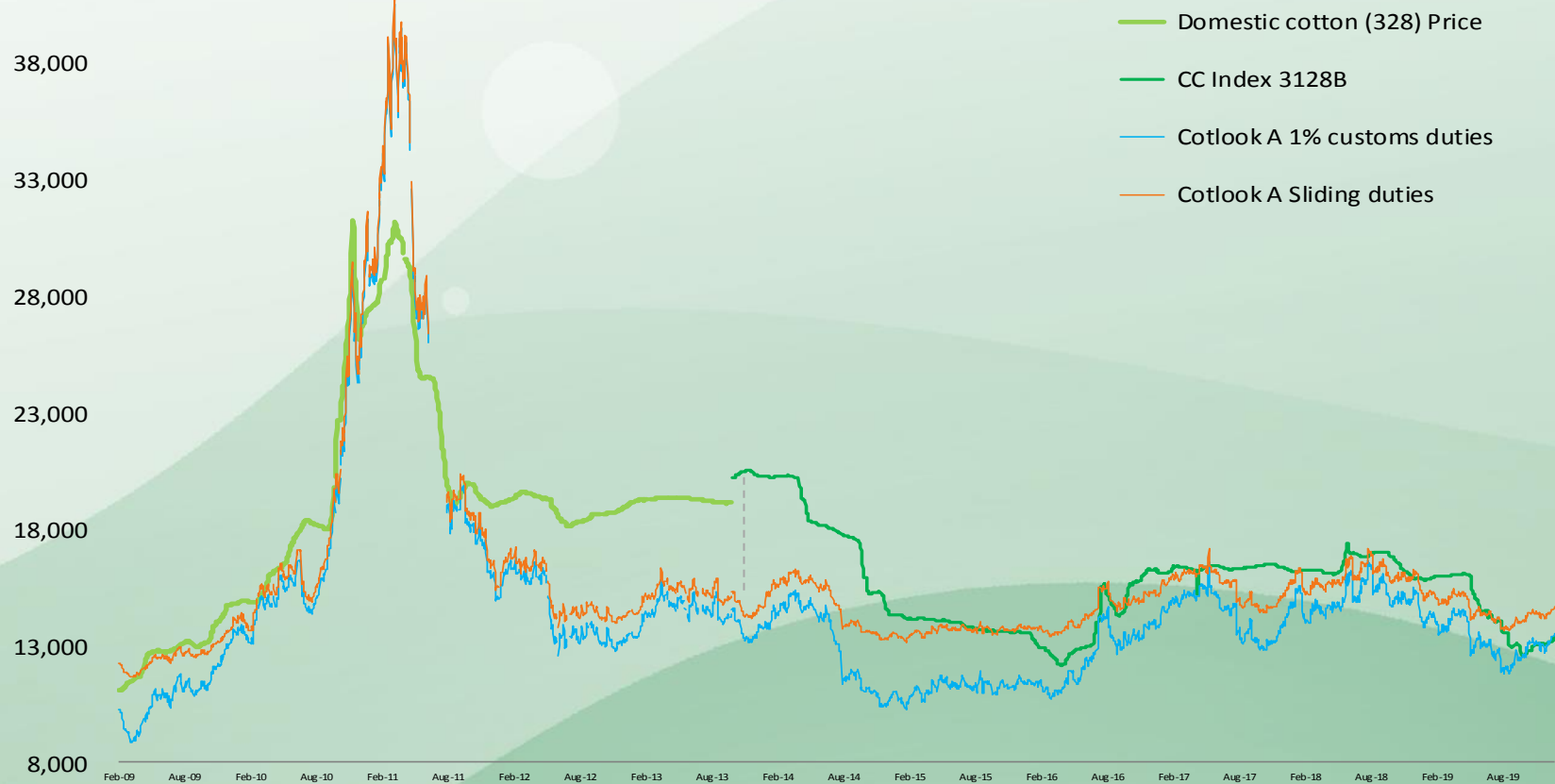
Dividend and Payout Ratio

(HK\$)



Domestic and International Cotton Prices

RMB/tonne
43,000



Note 1: New cotton national standard GB1103-2012 has come into effect since September in 2013 and CC Index 3128B is introduced afterwards.

Turnover Breakdown by Products

- Growth in sportswear sales was mainly attributable to the increase in demand for sportswear in the US and mainland China market
- Increase in casual wear sales was driven by increasing procurement demands in the Japanese market
- Revenue decreased by 39.5% in lingerie sales due to decreasing procurement demand from Japan

| | 2019 | | 2018 | | Change | |
|-------------------------|-------------------|--------------|-------------------|------------|------------------|-------------|
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| By Product | | | | | | |
| Sports wear | 16,321,975 | 72.0 | 14,275,643 | 68.1 | 2,046,332 | +14.3 |
| Casual wear | 5,387,683 | 23.8 | 5,167,355 | 24.7 | 220,328 | +4.3 |
| Lingerie | 802,852 | 3.5 | 1,328,006 | 6.3 | (525,154) | (39.5) |
| Other knitting products | 152,762 | 0.7 | 179,201 | 0.9 | (26,439) | (14.8) |
| Total | 22,665,272 | 100.0 | 20,950,205 | 100 | 1,715,067 | +8.2 |

Turnover Breakdown by Regions

- Recorded a growing rate in revenue in the US market mainly due to the increasing order demands for sportswear
- Maintained stable growth in the Japanese market due to the increasing procurement demands for casual wear and sportswear
- European market recorded a slight increase in sales, which was primarily attributable to the more stable consumption demands for sportswear
- Sale increase in the domestic market was mainly due to the ideal growth in consumption demand for sportswear

| | 2019 | | 2018 | | Change | |
|-----------------|------------|-------|------------|-------|-----------|-------|
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Europe | 3,890,278 | 17.2 | 3,795,982 | 18.1 | 94,296 | +2.5 |
| Japan | 3,542,572 | 15.6 | 3,236,002 | 15.5 | 306,570 | +9.5 |
| United States | 3,475,427 | 15.3 | 3,252,725 | 15.5 | 222,702 | +6.8 |
| Other countries | 4,614,239 | 20.4 | 4,353,084 | 20.8 | 261,155 | +6.0 |
| Domestic market | 7,142,756 | 31.5 | 6,312,412 | 30.1 | 830,344 | +13.2 |
| Total | 22,665,272 | 100.0 | 20,950,205 | 100.0 | 1,715,067 | +8.2 |

Key Financial Indicators

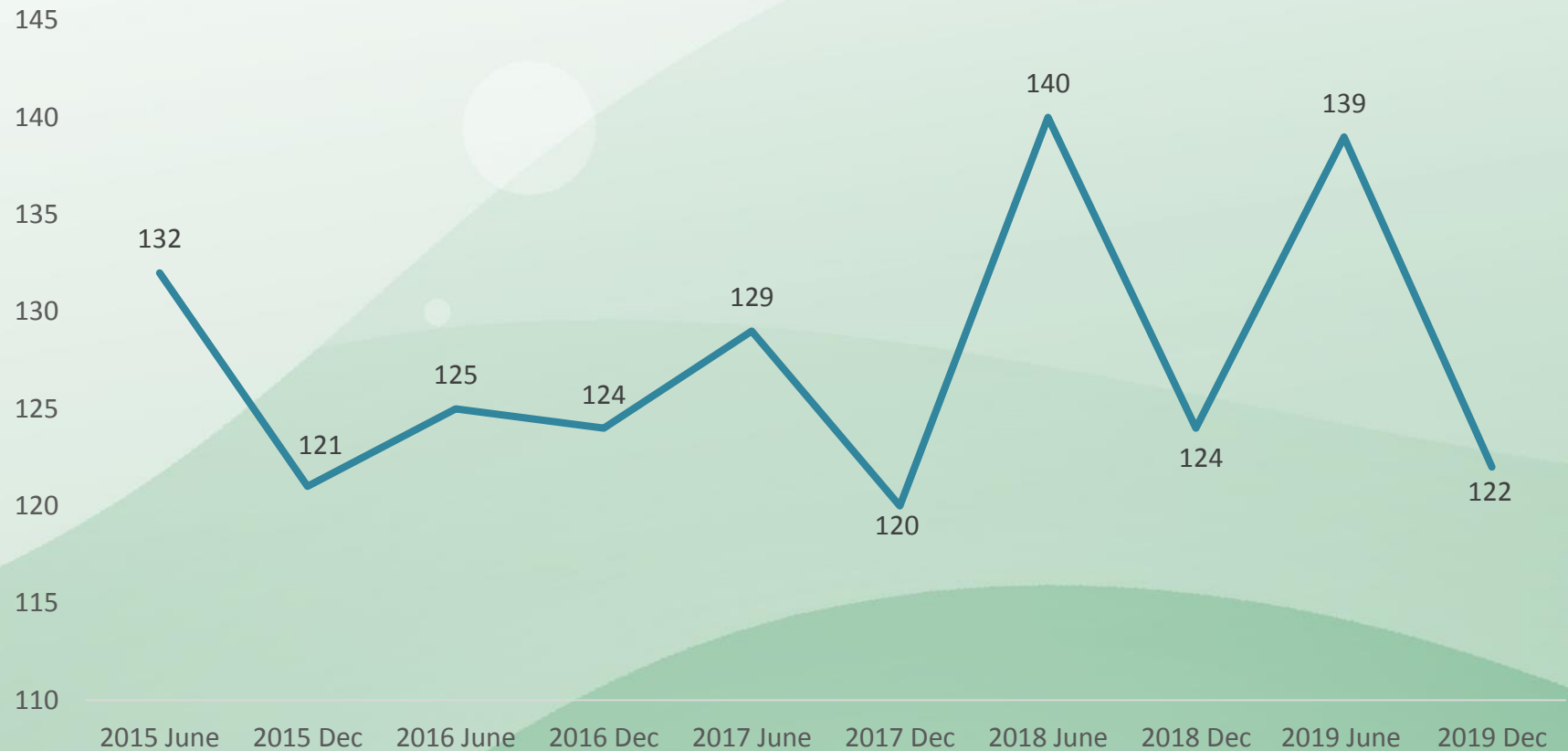
| | 2019.12.31 | 2019.06.30 | 2018.12.31 |
|-------------------------|------------|------------|------------|
| Inventory turnover days | 122 | 139 | 124 |
| Debtor turnover days | 58 | 58 | 56 |
| Creditor turnover days | 20 | 23 | 21 |

| | 2019.12.31 | 2019.06.30 | 2018.12.31 |
|--|------------|------------|------------|
| Gross gearing ratio (debt to equity) (%) | 15.8 | 10.6 | 11.3 |
| Current ratio (times) | 3.7 | 4.3 | 3.7 |
| Cash and cash equivalent (RMB million) | 5,060.9 | 3,938.5 | 3,565.9 |
| Net assets (RMB million) | 25,191.3 | 23,630.2 | 22,454.3 |
| Total assets (RMB million) | 31,854.8 | 28,294.9 | 27,552.1 |

Inventory

| <i>(RMB'000)</i> | 31 December 2019 | 20 June 2019 | 31 December 2018 |
|------------------|------------------|--------------|------------------|
| Raw materials | 1,070,080 | 1,001,209 | 1,179,985 |
| Work in progress | 2,233,058 | 2,298,571 | 2,075,322 |
| Finished goods | 2,081,715 | 2,492,429 | 2,104,700 |
| | 5,384,853 | 5,792,209 | 5,306,007 |
| Provision | (102,448) | (131,470) | (122,575) |
| | 5,282,405 | 5,660,739 | 5,237,432 |

Inventory Turnover Days Analysis





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BUSINESS REVIEW



Major Achievements in 2019

Further expand production capacities and productivity of overseas production base



- Garment factory newly built in Vietnam
 - Put into operation as scheduled
 - Strategically located in the same industrial area as the fabric factory in Vietnam
 - Further facilitate the integration of industrial chain, reduce transportation cost and improve the utilization rate of raw materials
- New Garment factory in Cambodia
 - Started construction in early 2019 and is well on track, expecting to be completed by the end of 2020
- Continued to expand the production scale of the fabric factory in Vietnam, with its capacity accounting for over 45% of the total capacity of the Group

Major Achievements in 2019

Achieve the coordination of enterprise development and environmental protection

- Increase fabrics productivity of domestic bases to replace the fabrics imported from overseas bases
- Achieve the ultimate goal of attaining a balance between the upstream and downstream productivity of individual overseas and domestic bases
- Arranged land acquisition for the fabrics production base in Ningbo
- Continuous technology advancement of production equipment in recent years, water and energy consumption decreased
- All domestic bases are using natural gas as basic fuel, thus effectively alleviating the adverse impact on the atmosphere



HSBC ESG certificate
2019



InnoESG Prize 2019



WWF

Major Achievements in 2019

Highly recognized by suppliers



Adidas award



Balabala award



Anta award

- Continued to grant numerous awards from domestic and international brands in recognition of the outstanding performance of the Group

Major Achievements in 2019

Actively promote excellence in the investor relations



Plant visit



2019 Interim Results Announcement



Best IR by Company, Chairman CEO, CFO, IR Team, IRO, Investor Meeting(Large Cap) by HKIRA- total 6 IR Awards

- Successfully achieve transparency and effective communications with investors
- Awarded several investor relations awards for different sectors in recognition of the outstanding performance of the Group's investor relations management

Optimization of Product Structure

Sportswear customers



Casual wear customers



- Strengthened cooperation with strategic customers by prioritizing the allocation of production resources and reducing the orders the Group obtained from small-to medium-sized customers, the Group also introduced certain quality new clients
- Revenue from sportswear products represented 72.0% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 84.4% (2018: 81.3%) of the Group's total turnover

Withdrawal from Retail Business

- Reasons to withdraw
 - Retail operation results not yet reached management expectation
 - Concentrate efforts on apparels manufacturing business
 - Provide better services to clients
- Speed up the scale down of retails business throughout 2019
- As at the end of 2019, all direct outlets were closed
- Benefit to enhance long term competitiveness of the Group's apparels manufacturing business





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STRATEGIES & PLANS



Future Strategies



**Further facilitate sharing of
resources between overseas &
domestic bases**

**Vertical optimization
of industrial chain**

**Enhancing product
innovation ability**

**Ability to enhance efficiency &
invest in environmental protection**

Employee care

Future Prospects

The Group Holds a Prudent View on 2020 Prospects

Improved operation
efficiency

Automation and technological
advancement

Positive

Depreciation of RMB
against USD

New capacity from Vietnam and
Cambodia plants

Yarn Price
Decreasing

COVID 19

Sino-US trade war

Negative

Stringent
environmental
policies

Wages & Dyeing Materials



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**OPEN
FORUM**

