



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 2023

March 2024



# Agenda

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# Financial Highlights



# Financial Highlights

| (RMB '000)                            | 2023       | 2022       | Change  |
|---------------------------------------|------------|------------|---------|
| Turnover                              | 24,969,792 | 27,781,412 | (10.1%) |
| Gross profit                          | 6,056,876  | 6,125,849  | (1.1%)  |
| Profit attributable to equity holders | 4,557,263  | 4,562,783  | (0.1%)  |
| Basic EPS (RMB)                       | 3.03       | 3.04       | (0.3%)  |
| Total dividend(HK\$)                  | 2.03       | 1.91       | 6.3%    |
| - Interim dividend(HK\$)              | 0.95       | 1.06       | (10.4%) |
| - Final dividend (HK\$)               | 1.08       | 0.85       | 27.1%   |

# Sales Analysis

## Sales

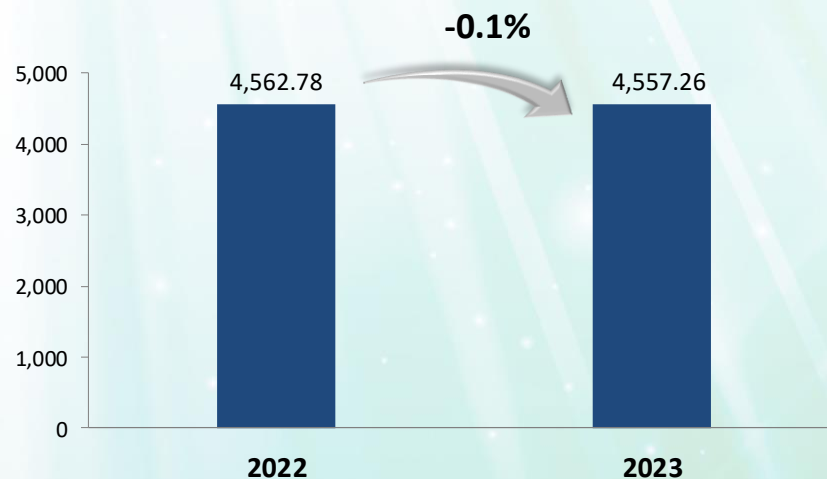
(RMB million)



- Recorded a decrease in revenue
  - weak demand in the global market, in particular, demand in the European and US markets declined significantly
  - most of the retail brand owners were in the process of further reducing early inventory during the year, affecting customers' purchasing demand for the current period

## Profit Attributable to Equity Holders

(RMB million)



- Main factors of change
  - Decrease in revenue
  - Gross profit ratio increase
  - Better cost control on expenses
  - Increase in interest income
  - Decrease in exchange gain
  - Decrease in tax expenses

# Profit Margin Analysis

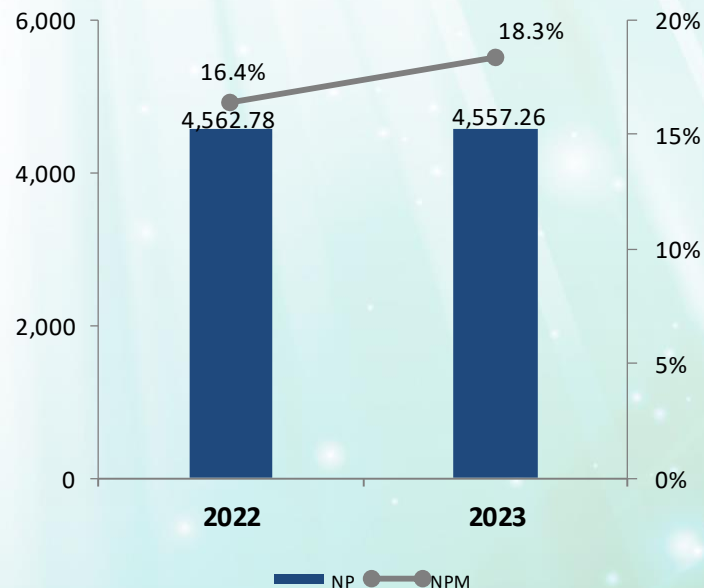
## Gross Profit

(RMB million)



## Net Profit Attributable to Equity Holders

(RMB million)



- Overall gross profit margin increased by 2.2p.p. to 24.3%, mainly due to:
  - the Group's overall production utilisation rate in the second half of the year increased as compared with the same period last year
  - the operating efficiency of new overseas factories gradually improved, the number of new employees further increased, and the profits contribution from overseas factories increased
  - the Group's epidemic-related expenses decreased during the year as Mainland China lifted the prevention and control measures for COVID-19

# Operating Expenses Analysis

*For the year ended 31 Dec*

| (RMB '000)                      | 2023             | 2022             | Change         |
|---------------------------------|------------------|------------------|----------------|
| Selling & distribution expenses | 164,164          | 204,250          | (40,086)       |
| Administrative expenses         | 1,881,274        | 1,954,478        | (73,204)       |
| Finance cost                    | 345,805          | 228,359          | 117,446        |
| <b>Total</b>                    | <b>2,391,243</b> | <b>2,387,087</b> | <b>4,156</b>   |
|                                 |                  |                  |                |
| <b>% to Revenue</b>             | <b>9.6%</b>      | <b>8.6%</b>      | <b>1.0p.p.</b> |

# Net Profit Analysis

*For the year ended 31 Dec*

| (RMB '000)                                                                            | 2023      | 2022      | Change    |
|---------------------------------------------------------------------------------------|-----------|-----------|-----------|
| Net Profit to Equity Holders                                                          | 4,557,263 | 4,562,783 | (5,520)   |
| Less: Government Incentives                                                           | 250,305   | 172,632   | 77,673    |
| Net Exchange Gain                                                                     | 151,568   | 998,559   | (846,991) |
| Net Bank Interest Income                                                              | 440,826   | 54,980    | 385,846   |
| Net Profit Excluding Government Incentives, Exchange Gain & Net Bank Interest Income* | 3,714,564 | 3,336,612 | 377,952   |

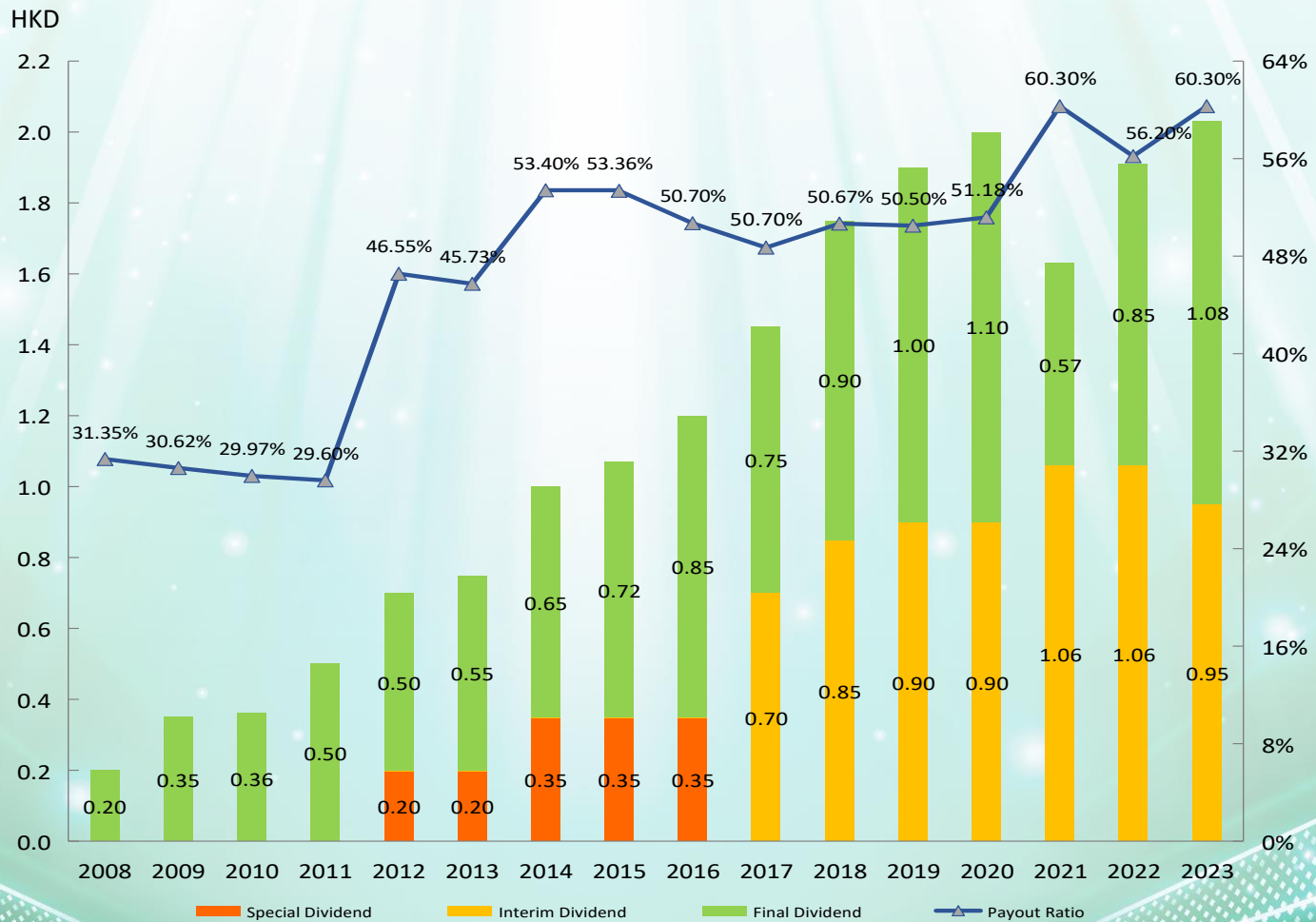
*Remark: \* Net Profit Excluding Government Incentives, Exchange Gain & Loss and Net Bank Interest Income Calculation has not adjusted the tax impact. For reference only.*

# Expenses Analysis by Nature

*For the year ended 31 Dec*

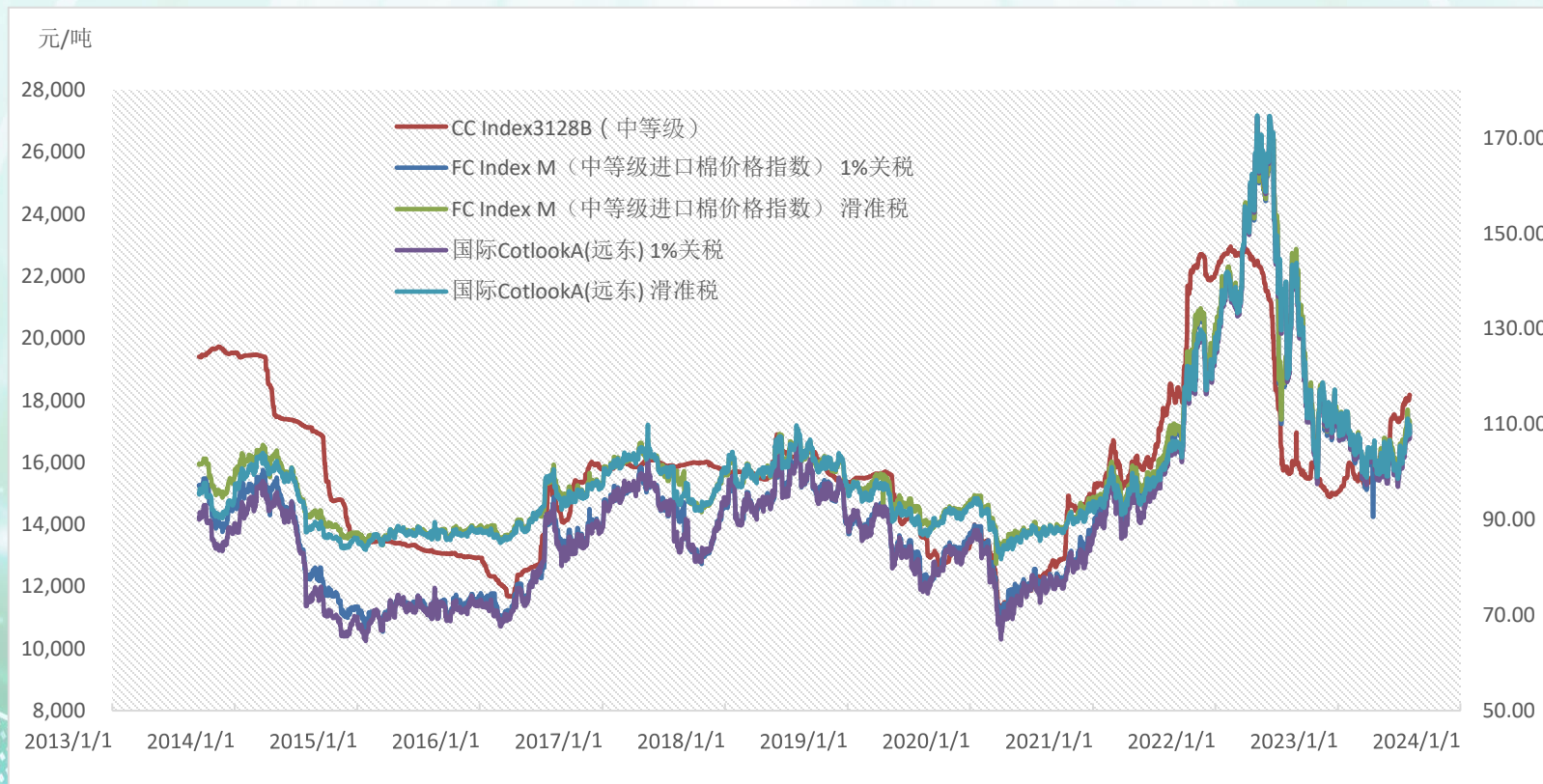
| (RMB '000)                                         | 2023             | 2022             | Change           |
|----------------------------------------------------|------------------|------------------|------------------|
| Employee benefit expenses:                         |                  |                  |                  |
| Wages and salaries                                 | 6,006,514        | 6,716,614        | (710,100)        |
| Retirement benefit contributions                   | 691,343          | 690,005          | 1,338            |
| Other benefits                                     | 284,274          | 288,121          | (3,847)          |
| <b>Total</b>                                       | <b>6,982,131</b> | <b>7,694,740</b> | <b>(712,609)</b> |
| Depreciation, amortisation and impairment expenses | 1,474,245        | 1,398,901        | 75,344           |
| Cost of inventory sold                             | 18,904,165       | 21,649,619       | (2,745,454)      |
| Net Bank Interest Income                           | 440,826          | 54,980           | 385,846          |
| Net Exchanges gain/(loss)                          | 151,568          | 998,559          | (846,991)        |

# Dividend and Payout Ratio



# Domestic and International Cotton Prices

RMB/tonne



# Turnover Breakdown by Product

- Revenue from sales of sportswear decreased mainly attributable to the decrease in demand for sportswear orders in both the US and European markets
- Slightly decrease in casual wear sales due to the decrease in procurement demand for casual wear in Japan market and other markets
- Revenue grew in lingerie wear was driven by the increase in demand for lingerie wear products in Japanese market and other markets

|                         | 2023       |       | 2022       |       | Change      |        |
|-------------------------|------------|-------|------------|-------|-------------|--------|
|                         | RMB'000    | %     | RMB'000    | %     | RMB'000     | %      |
| By Product              |            |       |            |       |             |        |
| Sports wear             | 18,031,526 | 72.2  | 20,869,553 | 75.1  | (2,838,027) | (13.6) |
| Casual wear             | 5,672,653  | 22.7  | 5,751,836  | 20.7  | (79,183)    | (1.4)  |
| Lingerie                | 1,066,643  | 4.3   | 819,133    | 3.0   | 247,510     | 30.2   |
| Other knitting products | 198,970    | 0.8   | 340,890    | 1.2   | (141,920)   | (41.6) |
| Total                   | 24,969,792 | 100.0 | 27,781,412 | 100.0 | (2,811,620) | (10.1) |

# Turnover Breakdown by Market

- Both US and European market recorded a decrease in sales, which were primarily attributable to the decrease in demands for sportswear
- Recorded a decrease in revenue in the Japanese market mainly due to a decrease in procurement demand for the casual wear and the suspension of sales of mask products to the Japanese market during the year
- A slightly sales increase in the China domestic market was mainly due to the increase in procurement demand for the casual wear in domestic market

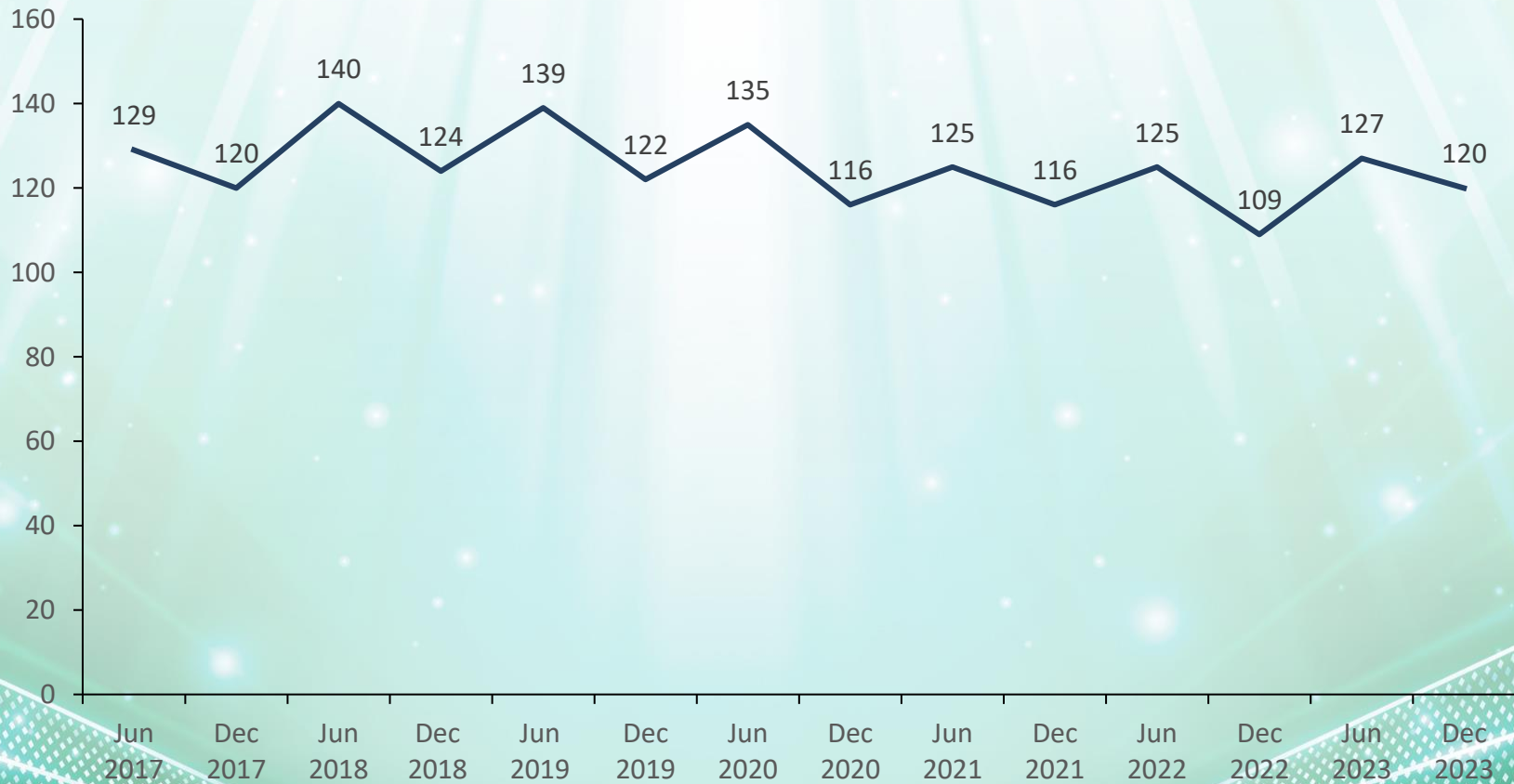
|                       | 2023              |              | 2022              |              | Change             |               |
|-----------------------|-------------------|--------------|-------------------|--------------|--------------------|---------------|
|                       | RMB'000           | %            | RMB'000           | %            | RMB'000            | %             |
| <b>By Market</b>      |                   |              |                   |              |                    |               |
| Europe                | 5,027,285         | 20.1         | 6,215,018         | 22.4         | (1,187,733)        | (19.1)        |
| United States         | 3,879,987         | 15.6         | 4,873,358         | 17.5         | (993.371)          | (20.4)        |
| Japan                 | 3,675,539         | 14.7         | 3,926,014         | 14.1         | (250,475)          | (6.4)         |
| Others                | 5,262,929         | 21.1         | 5,692,876         | 20.5         | (429.947)          | (7.6)         |
| China Domestic Market | 7,124,052         | 28.5         | 7,074,146         | 25.5         | 49,906             | 0.7           |
| <b>Total</b>          | <b>24,969,792</b> | <b>100.0</b> | <b>27,781,412</b> | <b>100.0</b> | <b>(2,811,620)</b> | <b>(10.1)</b> |

# Key Financial Indicators

|                         | 2023.12.31 | 2023.06.30 | 2022.12.31 |
|-------------------------|------------|------------|------------|
| Inventory turnover days | 120        | 127        | 109        |
| Debtor turnover days    | 73         | 75         | 56         |
| Creditor turnover days  | 21         | 20         | 20         |

|                                          | 2023.12.31 | 2023.06.30 | 2022.12.31 |
|------------------------------------------|------------|------------|------------|
| Gross gearing ratio (debt to equity) (%) | 36.8       | 33.5       | 29.9       |
| Current ratio (times)                    | 2.1        | 2.2        | 2.6        |
| Cash and cash equivalent (RMB million)   | 11,596.5   | 10,365.7   | 7,369.5    |
| Net assets (RMB million)                 | 32,867.3   | 32,154.3   | 30,765.8   |
| Total assets (RMB million)               | 48,611.1   | 46,335.6   | 43,492.9   |

# Inventory Turnover Days Analysis



# Inventory

| (RMB'000)        | 31-Dec-23 | 30-Jun-23 | %      | 31-Dec-22 | %      |
|------------------|-----------|-----------|--------|-----------|--------|
| Raw materials    | 1,302,932 | 1,241,118 | 5.0    | 1,224,123 | 6.4    |
| Work in progress | 3,111,255 | 3,027,303 | 2.8    | 2,925,493 | 6.4    |
| Finished goods   | 1,971,751 | 2,209,152 | (10.7) | 2,247,586 | (12.3) |
|                  | 6,385,938 | 6,477,573 | (1.4)  | 6,397,202 | (0.2)  |
| Provision        | (261,203) | (158,078) | 65.2   | (136,399) | 91.5   |
|                  | 6,124,735 | 6,319,495 | (3.1)  | 6,260,803 | (2.2)  |

# Treasury Management

| (RMB'000)                                    | 31 Dec 2023    | 31 Dec 2022 | Change         |
|----------------------------------------------|----------------|-------------|----------------|
| Bank Interest Income                         | <b>778,904</b> | 278,126     | <b>500,778</b> |
| Other Interest Income/ Fair Value Gain       | <b>73,579</b>  | 77,210      | <b>(3,631)</b> |
|                                              | <b>852,483</b> | 355,336     | <b>497,147</b> |
| Less: Bank Interest Expenses                 | <b>338,078</b> | 223,146     | <b>114,932</b> |
| Other Interest Expenses on lease liabilities | <b>7,727</b>   | 5,213       | <b>2,514</b>   |
|                                              | <b>345,805</b> | 228,359     | <b>117,446</b> |
| <b>Net Interest Income</b>                   | <b>506,678</b> | 126,977     | <b>379,701</b> |

# Treasury Management (Cont'd)

| (RMB'000)                                         | 31 Dec 2023       | 31 Dec 2022        | Change           |
|---------------------------------------------------|-------------------|--------------------|------------------|
| Cash & Cash Equivalents                           | 11,596,453        | 7,369,498          | 4,226,955        |
| Bank Loan                                         | (12,103,968)      | (9,197,684)        | 2,906,284        |
| <b>Net (Debts)/ Cash</b>                          | <b>(507,515)</b>  | <b>(1,828,186)</b> | <b>1,320,671</b> |
| Long Time Deposits (+1 year)                      | 6,655,454         | 2,940,984          | 3,714,470        |
| Bank Deposit (+3 months)                          | 4,471,651         | 3,159,888          | 1,311,763        |
| Pledged Deposit                                   | 14,712            | 725,934            | (711,222)        |
| Financial Assets                                  | 803,889           | 3,195,232          | (2,391,343)      |
| <b>Total Fixed Deposit &amp; Financial Assets</b> | <b>11,945,706</b> | <b>10,022,038</b>  | <b>1,923,668</b> |
| <b>Net Free Cash &amp; Financial Assets</b>       | <b>11,438,191</b> | <b>8,193,852</b>   | <b>3,244,339</b> |



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# Business Review



# Major Achievements in 2023

*The proportion of green energy to total energy consumption increased significantly*



Through its own rooftop photovoltaic power generation, purchasing green electricity from external parties

## Green Energy



**50%**  
Electricity

## Installed Photovoltaic Power



Total generation capacity

**75MW**

**↑ 65%**



Overseas production bases further included biomass as basic fuel

## Biomass



Annual consumption

**↑ 167%**



## Treated Sewage



Amount of recycled

**↑ 47%**



The cooperation with upstream fiber production companies has promoted the recycling of waste textile products in the form of recycled fibers

# Major Achievements in 2023 (Cont'd)

*The operational performance of overseas factories has been further improved*



Garment output: overseas factories



**53%**

Of the Group's total garment output



Garment output proportion: Cambodia



**26%**

Of the Group's total garment output

**↑4p.p.**



Employees of overseas bases



**57%**

Annual average number of employees

**↑5p.p.**



Further improved the integrated support in accessories, printing, embroidery and other production processes provided to overseas factories, effectively improved the short delivery capabilities of overseas factories

# Major Achievements in 2023 (Cont'd)

*Attach great importance to achieve long-term mutual benefit and win-win results with its partners as well as to reach the best results for the value chain*

01

## Enhance the efficiency of management decision-making

- Further improved the information transmission mechanism with relevant parties
- Improved the transparency of data and information in the supply chain

02

## Reduce logistics costs and enhance supply chain's response speed

- Emphasized exchange of opinions with the upstream and downstream of the industrial chain

03

## Drive the construction of a clean and efficient procurement system

- Guided and selected its suppliers based on the value and synergy they can bring to the industrial chain

# Major Achievements in 2023 (Cont'd)

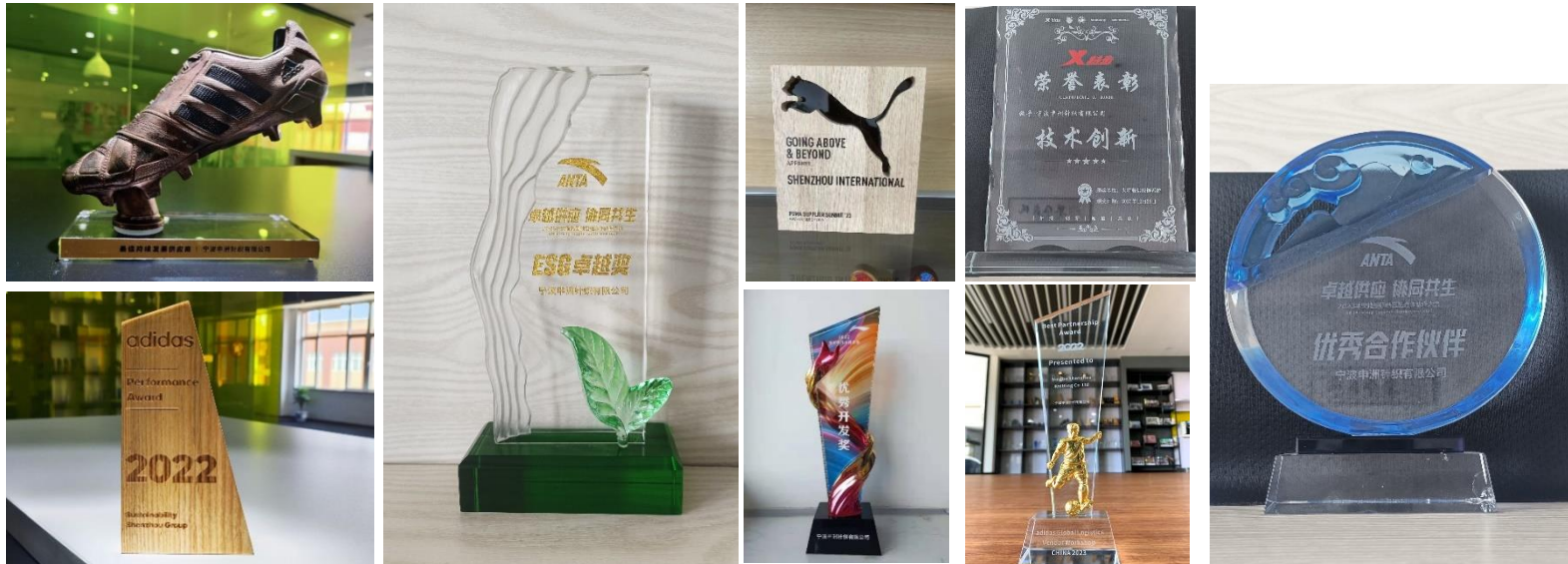
## ESG achievements



## IR excellence



## Highly recognized suppliers



# Optimisation of Product Structure

## Sportswear customers



## Casual wear customers



- Strengthened cooperation with strategic customers by prioritizing the allocation of production resources and Increased sales to domestic brand customers, the Group also introduced certain quality new clients
- Revenue from sportswear products represented 72.2% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 79.6% (2022: 82.0%) of the Group's total turnover.



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# Future Strategies



# Future Strategies

❑ Improve the green and low-carbon development system

❑ Promote the development of diversified and high-end products

❑ Accelerate the application of intelligent manufacturing and digital management in the industry

❑ Improve the abilities and qualities of front-line management officials





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## Open Forum

