Shenzhou International Group Holdings Limited

Interim Results 2006

Stock code: 2313 HK

August 2006

Agenda

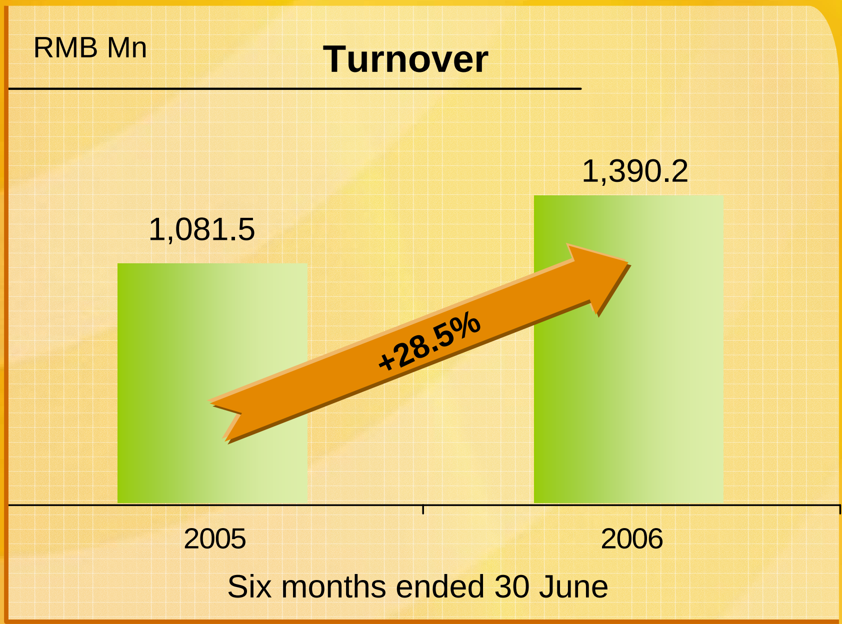
- Financial Highlights
- Business Review
- Strategies and Plans
- Open Forum

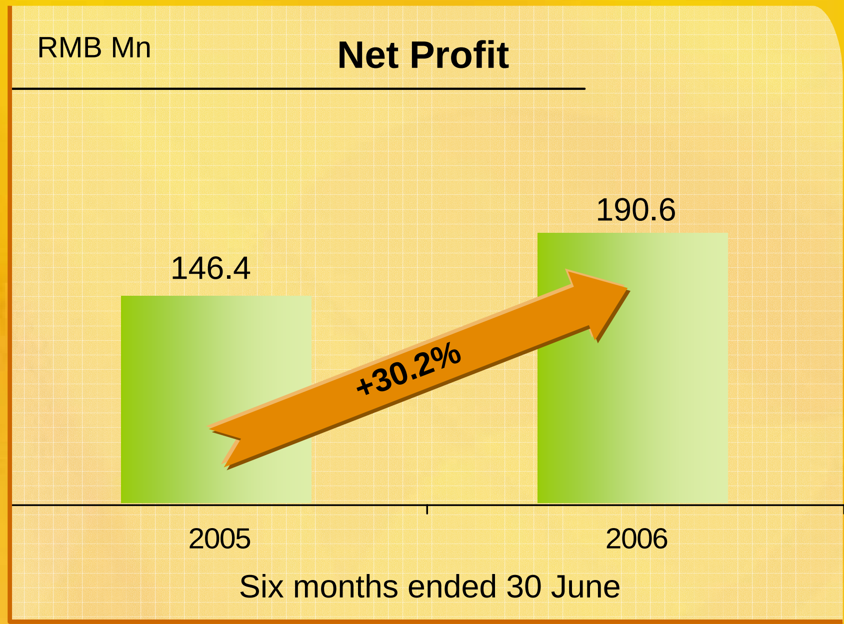
Financial Highlights

Financial Highlights

(RMB '000)	Six months ended 30 June **1H 2006**	1H 2005	**Change (%)**
Turnover	**1,390,177**	1,081,493	**28.5**
Operating Profit	**215,082**	173,285	**24.1**
Profit attributable to equity holders	**190,593**	146,439	**30.2**
Basic EPS (RMB cents)	**15 cents**	16 cents	**(5.9)**

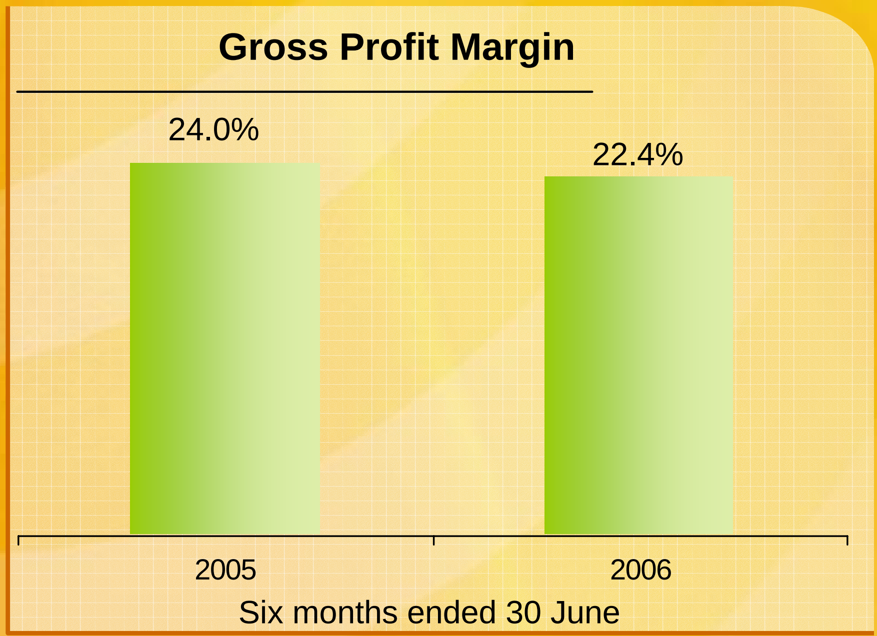
Sustainable Turnover and Net Income Growth

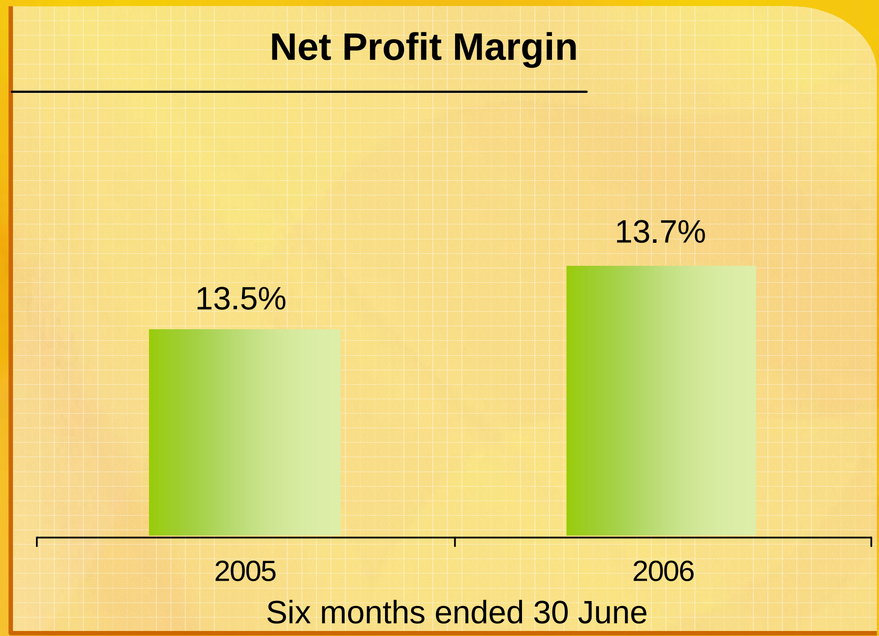




- Strong growth in turnover was attributable to:
  - – Strong demand from Japan
  - – Rising sales of sports wear
  - – Development of Europe market

Profit Margin Analysis





- Gross profit margin slightly decreased was attributable to the increase in recruiting new labour, which is in the training stage, to handle the upcoming orders

Turnover Breakdown by Products

- Sales of sports wear and casual wear up 150.5% and 22.6% respectively
- Strong order books from Uniqlo, Nike, Adidas and Puma, etc

	Six months ended 30 June					
	2006		2005		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By products						
Casual wear	1,147,514	82.5%	935,616	86.5%	211,898	22.6%
Sports wear	183,168	13.2%	73,116	6.8%	110,052	150.5%
Other knitting products	59,495	4.3%	72,761	6.7%	(13,266)	(18.2%)
Total	1,390,177	100%	1,081,493	100%	308,684	28.5%

Turnover Breakdown by Regions

- Stable increase in orders from Japan
- Promising development in Europe market
- Increase in the demand of the rest of world was attributable to the orders from Nike and Puma to Australia, Korea and South Africa, etc
- Surge in domestic market demand from Nike, Uniqlo and Itochu, etc

	Six months ended 30 June					
	2006		2005		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Japan	1,078,259	77.6%	920,060	85.1%	158,199	17.2%
Europe	160,404	11.5%	60,803	5.6%	99,601	163.8%
United States	35,029	2.5%	42,480	3.9%	(7,451)	(17.5%)
Rest of World	49,230	3.6%	9,162	0.9%	40,068	437.3%
Domestic Market	67,255	4.8%	48,988	4.5%	18,267	37.3%
Total	1,390,177	100%	1,081,493	100%	308,684	28.5%

Healthy Financial Position

	For the six months ended 30 June,	
	2005	2006
Inventory turnover days	**62**	**73**
Debtor turnover days	**21**	**26**
Creditor turnover days	**32**	**42**

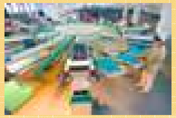
	31 December 2005	30 June 2006
Gearing ratio (debt to equity) (%)	**32.8%**	**23.2%**
Cash and Cash Equivalent (RMB Mn)	**560**	**391**
Net assets (RMB Mn)	**1,702**	**1,866**
Total assets (RMB Mn)	**2,540**	**2,770**

Use of Proceeds

Unit: HK million	Actual	Planned
Acquisition of new dyeing and finishing equipment for the Group's China production facilities	47.8	199
Acquisition of new plant and equipment for the production of functional fabrics mainly used in sports wear	26.2	183
Acquisition of new weaving and knitting equipment for the Group's China production facilities	39.6	70
Acquisition of new cutting and sewing equipment for the Group's China production facilities	51	51
Repayment of long-term bank borrowings	305	305
General working capital	48	48

Business Review

High Economies of Scale and Operating Efficiency

		For the year ended 31 December			Six months ended 30 June	
		2003	2004	2005	2005	2006
	**Weaving and knitting (in tons)**	**26,360**	**25,690**	**30,782**	**13,980**	**18,240**
	**Dyeing and finishing (in tons)**	**33,870**	**33,580**	**38,003**	**16,394**	**21,663**
	**Printing and embroidery (in thousand pieces of fabric)**	**33,768**	**37,919**	**30,966**	**17,907**	**30,414**
	**Cutting and sewing (in thousand pieces of apparel)**	**63,720**	**68,180**	**77,699**	**38,365**	**45,441**

Expand production facilities → Higher economies of scale and lower fixed production unit cost

Optimize workflow and utilization of facilities → Higher operating efficiency and higher production volume

Abundant Utilities Supply

Water

- In July 2006, water price up from RMB2.25/m^3 to RMB3.5/m^3
- Entered into an agreement with the government to secure water supply of at least 20,000 m^3 per day for a term of 20 years, commence from 2007 at a unit price of RMB0.51/m^3.
- Consolidated water price will change to approx. RMB2/m^3 in 2007

Waste Water

- Owned a waste water treatment plant with processing capacity of approx. 60,000 tons per day
- Current usage is 40,000 tons per day
- Treatment plant reached the level 1 wastage standard and is under the monitor of the environmental protection bureau

Electricity & Steam

- Stable supply from Ningbo Thermal Power Co, Ltd
- In July 2006, price adjusted from RMB0.65/u to RMB0.675/u
- 50% of steam supplied from thermal plant.

Land

- Total land use is 1,000 acreages, of which more than 800 acreages were owned by the Company
- Newly acquired 100 acreages

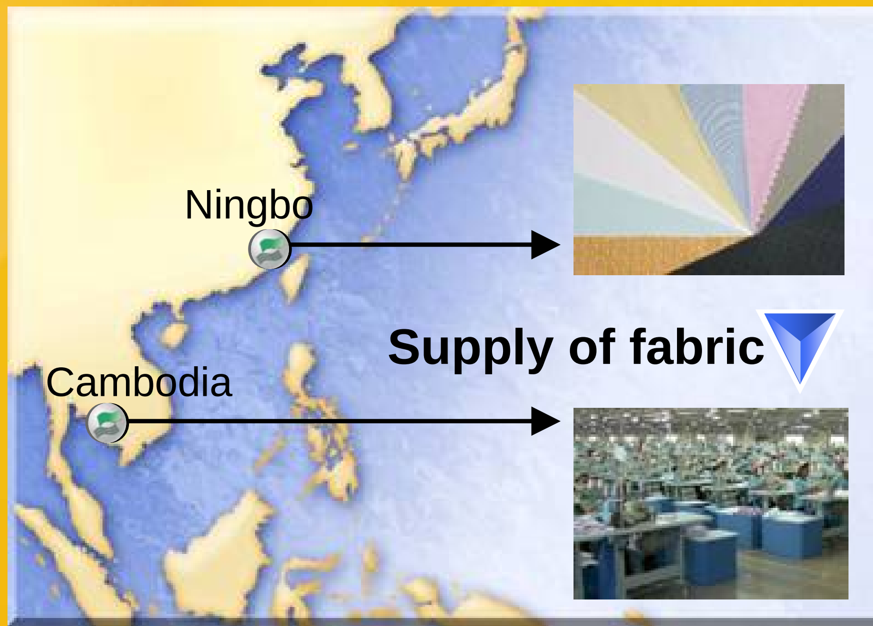
- Fulfill environmental standards
- Stable supply to ensure smooth operation

Ample Labour Supply

- No. of staff increased approx. 6,000 to near 28,000 to handle the upcoming orders from Nike, Adidas and Puma, etc.
- Provide various welfare benefits to create harmonious living environment for workers
- Cost of labour increased from 17.4% to over 18.8% of total production cost
- Lower the percentage of cost of labour to total production cost by increasing production efficiency

Production Base in Cambodia

- Undertake cutting and sewing manufacturing operations with production capacity about 500,000 pieces per month
- Production base was certified by Uniqlo, Nike, Adidas and Puma
- Acted as another production base for Uniqlo
- Diversified production base to ensure safety supply to international customers



Strong Clientele in Japan and the World

Apparel sourcing agents

- Sojitz Holdings Corporation
- Itochu Corporation
- Tatsumi Trading Co., Ltd
- Chori Co., Ltd

Knitwear and sports wear international brand owners

- Established business relationships from 6 to 14 years with Japanese customers
- Increased contract amount from existing clients (e.g. Nike, Adidas and Puma)

Strategies and Plans

Expanding Revenue Sources and Enhance Profitability

Strong growing demand of sports wear driven by 2008 Olympics

Strategies:

- Increase sports wear sales
- Diversify product range through further expansion of underwear and home wear products
- Strengthen customer relationships with international renowned brand

Plans:

- Acquisition of more specialized equipments
- Strengthen fabric and garment design team
- Expansion of production capability

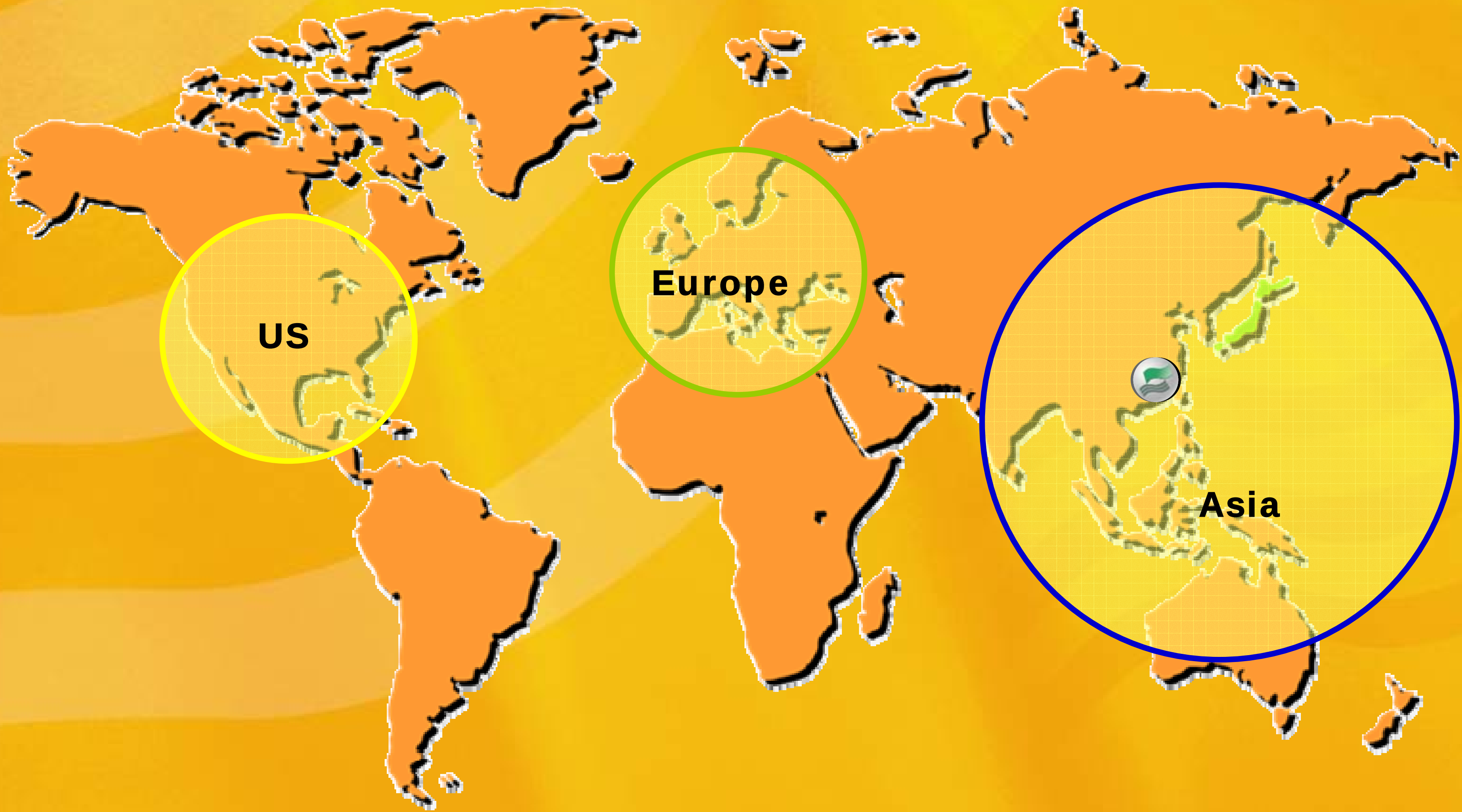
Enhance Production Efficiency and Stringent Cost Control

- Better production planning
- Enhance operating efficiency
- Computerized cutting
- Increase cutting rate
- Upgrade dyeing facilities
- Improve dyeing process
- Lower cost of dyeing
- Increase output ratio

- Enhance production efficiency
- Stringent cost control

Expanding into New Geographical Markets

- Leverage on its strong customer network in Japan, the Group intends to expand its market coverage in Asia, Europe and US
- Establish strategic partnership by locating specialised production area to different clients



Mission

To Be

The Most Competitive

Knitwear Manufacturer

In the World