SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED

申洲國際集團控股有限公司*

STOCK CODE 股份編號：2313

2010

Interim Results

Agenda

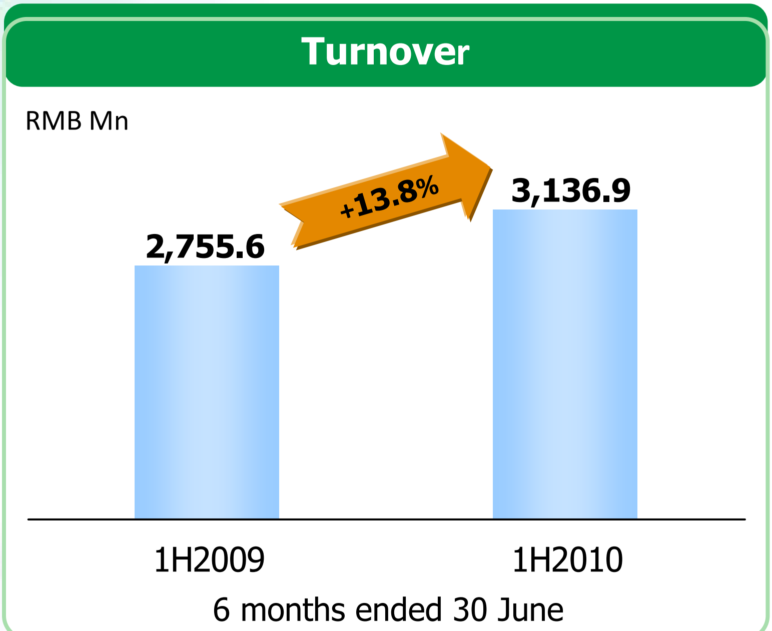
- Financial Highlights
- Business Review
- Strategies and Plans
- Open Forum

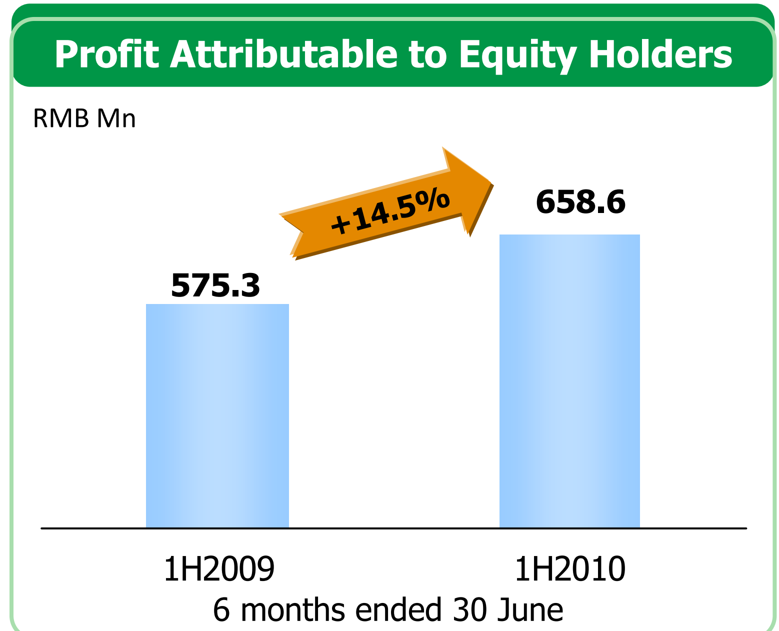
Financial Highlights

Financial Highlights

(RMB '000)	6 months ended 30 June ***2010***	*2009*	*Change (%)*
Turnover	**3,136,940**	2,755,629	+13.8
Gross profit	**965,825**	876,328	+10.2
Profit attributable to equity holders	**658,578**	575,287	+14.5
Basic EPS (RMB)	**0.53**	0.46	+15.2

Robust Turnover Growth

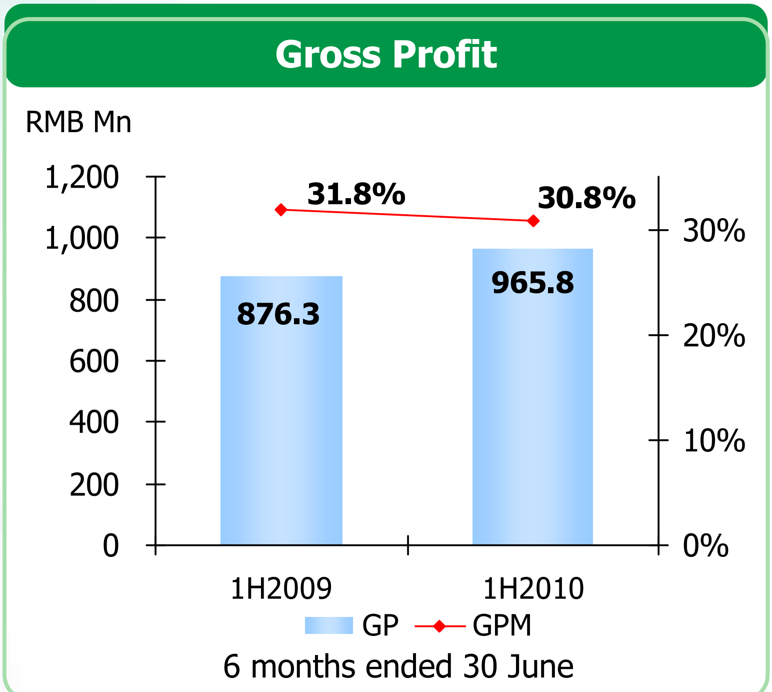


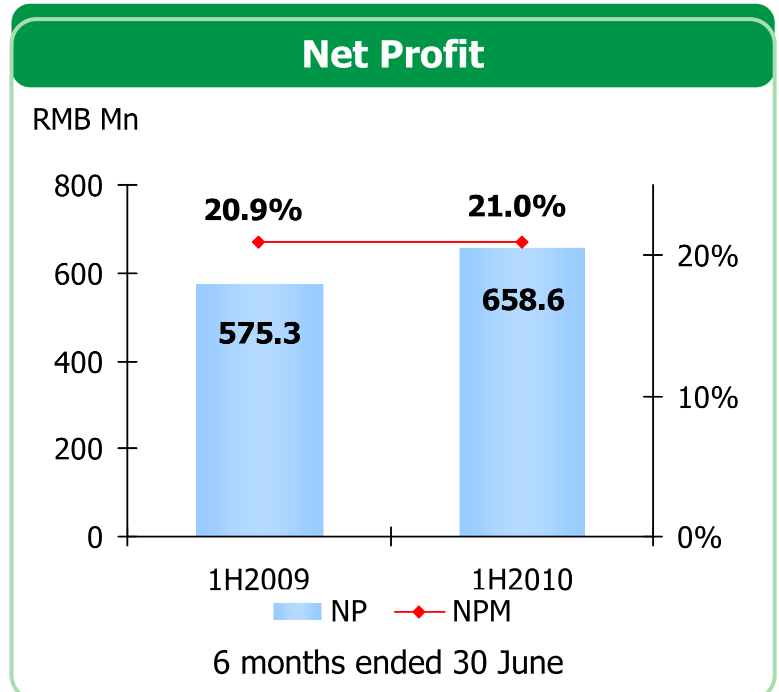


- **Robust growth in turnover :**
  - The steady revenue growth of sportswear and lingerie
  - Remarkable achievements were made in respect of the sales expansion in domestic market
  - Notable increase in sales revenue for the Group’s sportswear in Europe
  - Sales in US and other markets posted satisfactory growth

- **Profit attributable to equity holders increased by 14.5% to RMB658.6 million**

Sustainable Profit Margins





- **Effectively mitigated the operational pressure arising from surging costs and maintained a relatively stable gross profit margin of 30.8% despite :**
  - Significant increase in labor costs as compared to 1H2009
  - Increase in prices for raw materials, predominantly cotton yarn, and energy

Turnover Breakdown by Products

- Leveraged on the Group's comprehensive competitive edges to further intensify its cooperation with internationally renowned sportswear clients
- Sales volume of lower margin products in casual wear dropped as a result of product and client structure adjustments
- Rapid growth of lingerie market has optimized the product mix of the Group

	6 months ended 30 June					
	2010		*2009*		***Change***	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sports wear	**1,508,568**	48.1	1,194,043	43.3	314,525	**26.3**
Casual wear	**1,105,598**	35.2	1,241,065	45.0	(135,467)	**(10.9)**
Lingerie	**414,891**	13.2	240,132	8.7	174,759	**72.8**
Other knitting products	**107,883**	3.5	80,389	3.0	27,494	**34.2**
Total	**3,136,940**	100.0	2,755,629	100.0	381,311	**13.8**

Turnover Breakdown by Regions

- Decrease in revenue in Japan was mainly due to the drop in demand for garments in Japan arising from weakened economy
- Sales in domestic market achieved satisfactory growth of20.7%
- The sales of the Group in Europe were not affected by the fluctuations in the exchange rate of Euro
- Considerable sales growth was also recorded in the US and other markets including Hong Kong, Korea and Australia

6 months ended 30 June

	2010		2009		**Change**	
	RMB'000	%	RMB'000	%	RMB'000	%
Japan	**1,370,468**	43.7	1,423,092	51.6	(52,624)	**(3.7)**
Europe	**593,381**	18.9	388,421	14.1	204,960	**52.8**
United States	**141,331**	4.5	125,019	4.5	16,312	**13.0**
Other countries	**343,608**	11.0	248,949	9.1	94,659	**38.0**
Domestic market	**688,152**	21.9	570,148	20.7	118,004	**20.7**
Total	**3,136,940**	100.0	2,755,629	100.0	381,311	**13.8**

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Healthy Financial Position

	For the 6 months ended 30 June	
	2010	*2009*
Inventory turnover days	**108**	86
Debtor turnover days	**38**	34
Creditor turnover days	**37**	42

	2010.06.30	*2009.12.31*
Gearing ratio(debt to equity) (%)	**24.1**	17.9
Cash and Cash Equivalent(RMB Mn)	**559**	378
Net assets(RMB Mn)	**4,170**	3,896
Total assets(RMB Mn)	**6,477**	5,427

Business Review

Accelerating Efforts in Lean Production Management

Raise resources utilization rate and reduce wastes

- Persisted in the development of lean production management by raising the utilization rate of resources and reducing wastes and consumption
- Mitigated the impacts of raw materials and energy price surge on the Group's operation
- Strengthened staff efficiency through lean production management and upgrades of equipment to alleviate their workload

Maintain a stable team of staff

- Attractive remuneration package and good working environment enabled the Group to build a stable team of staff
- Amplified the effects of lean production management

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Achievements in Production Base Layout Adjustment

Following the commencement of production of the Anqing plant in 1Q2009, preliminary effects of the strategic adjustment have been achieved:

- ✓ **Enhanced staff's efficiency with significant improvement in product quality**
- ✓ **Expansion in the garment factory in Phnom Penh, Cambodia to better accommodate the global procurement needs of the customers**
- ✓ **New dyeing and finishing factory in Ningbo commenced production and increased fabric production capacity in 1H2010**
- ✓ **State of the art equipment in the new fabric factory resulted in better saving in water consumption and energy**

Diversified Customer Base

Sports wear customers

Casual wear customers

- Two renowned sports wear customers, ADIDAS and NIKE, accounted for 37% (2009:35%) of Group's total turnover
- Introduction of new customers – Li Ning, Anta and VANCL, further strengthened and diversified the customer base

Strategies & Plans

Future Strategies

Further enhance the Group's competitiveness by offering more product varieties to satisfy consumers' needs

Greater emphasis on China market to capture enormous market demand

Continue to adjust the production base layout with a view to achieve optimal resources allocation

Strengthen lean production and further improve efficiency to cope with increasing operating cost

The Most Competitive Textile & Garment Manufacturer in the World

Market Outlook

- **Operational pressure** from rising raw materials and surging labor costs is expected to persist for **a considerable period of time**
- Remain **optimistic** towards the prospects of the industry given market **demands in developing countries**, including China, will **continue to grow**
- **Leading enterprises** in the garment industry are well poised to **benefit** from the continual **industry integration** and the guidance of the government's industry policy

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Open Forum