Shenzhou International Group Holdings Limited





Interim Results 2007

Stock code: 2313 HK

13 August 2007

Agenda

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

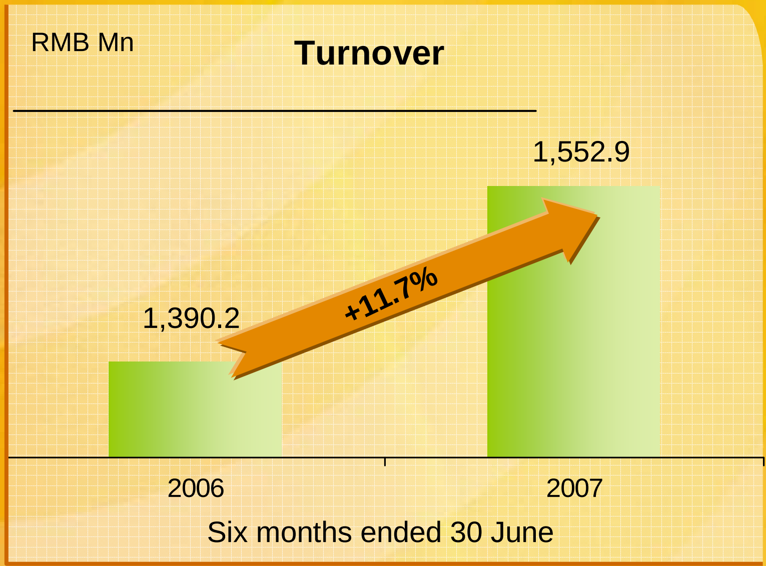


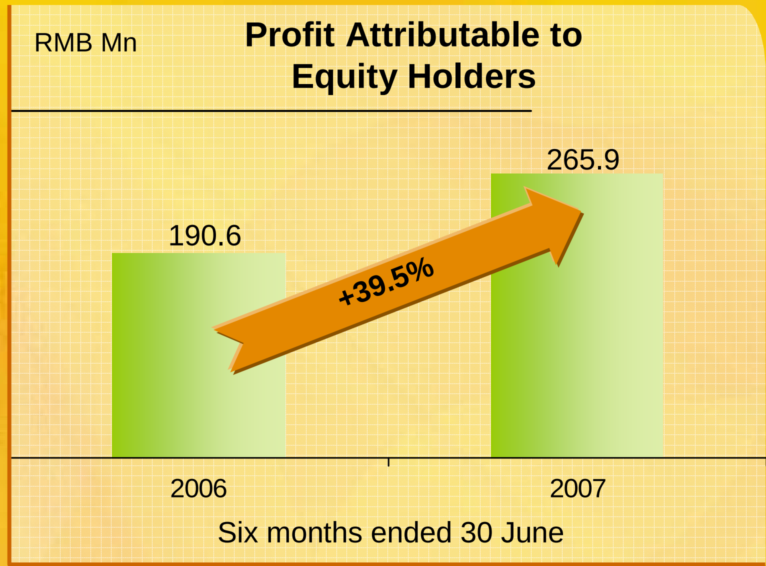

Financial Highlights

Financial Highlights

(RMB '000)	*Six months ended 30 June* **1H 2007**	1H 2006	**Change (%)**
Turnover	**1,552,907**	1,390,177	**11.7**
Operating Profit	**285,266**	212,841	**34.0**
Profit attributable to equity holders	**265,937**	190,593	**39.5**
Basic EPS (RMB cents)	**21 cents**	15 cents	**40**

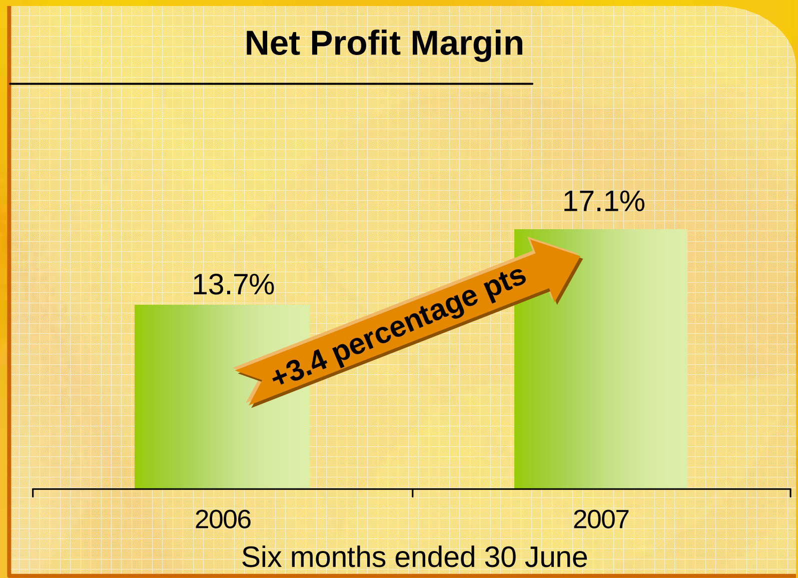
Sustainable Turnover and Net Income Growth





- Strong growth in turnover was attributable to:
  - Significant growth of sales of sports wear
  - Effect of the globalized expansion in sales markets

Profit Margin Analysis



- Gross profit margin increases was attributable to:
  - Production volume of the staff newly recruited in year 2006 has in principal reached normal level after training
  - Reduction of the sales proportion of the low valued-added product segment through effective adjustment in product portfolio

Turnover Breakdown by Products

- Sales of sports wear surged 94.5% attributable to strong order book from renowned international sports wear brand customers
- Reduced orders of relatively low margin to improve product mix and customer structure, leading to a decrease in sales of casual wear
- Successfully tap into lingerie business, which accounts for 4.6% of the Group's total turnover

	Six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By products						
Casual wear	1,082,993	69.7%	1,147,514	82.5 %	(64,521)	(5.6%)
Sports wear	356,192	23.0%	183,168	13.2%	173,024	94.5%
lingerie wear	71,298	4.6%	-	-	71,298	N/A
Other knitting products	42,424	2.7%	59,495	4.3%	(17,071)	(28.7%)
Total	1,552,907	100%	1,390,177	100%	162,730	11.7%

Turnover Breakdown by Regions

- Contribution from Japan remained stable
- The US and other markets, including Hong Kong, Korea and Australia, reported impressive growth attributable to the market diversification strategy and the global market demand from certain customers
- Growth in domestic sales was attributable to the 2008 Beijing Olympics Games, driving demand for sports apparel from NIKE, ADIDAS etc.

	Six months ended 30 June					
	2007		2006		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
Japan	1,080,189	69.6%	1,078,259	77.6%	1,930	0.2%
Europe	183,439	11.8%	160,404	11.5%	23,035	14.4%
United States	74,655	4.8%	35,029	2.5%	39,626	113.1%
Other countries	94,167	6.1%	49,230	3.6%	44,937	91.3%
Domestic Market	120,457	7.7%	67,255	4.8%	53,202	79.1%
Total	1,552,907	100%	1,390,177	100%	162,730	11.7%

Healthy Financial Position

	For the six months ended 30 June	
	2007	2006
Inventory turnover days	94	73
Debtor turnover days	26	26
Creditor turnover days	33	32

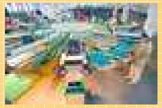
	30 June 2007	31 December 2006
Gearing ratio (debt to equity) (%)	30.9%	15.4%
Cash and Cash Equivalent (RMB Mn)	118.2	274.0
Net assets (RMB Mn)	2,281	2,074
Total assets (RMB Mn)	3,467	2,794

Use of Proceeds

Unit: HK million	Actual	Planned
Acquisition of new dyeing and finishing equipment for the Group's China production facilities	156.9	199
Acquisition of new plant and equipment for the production of functional fabrics mainly used in sports wear	128.9	183
Acquisition of new weaving and knitting equipment for the Group's China production facilities	68.2	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	
		2004	2005	2006	2006	2007
	Weaving and knitting (in tons)	25,690	30,782	35,247	18,240	**21,681**
	Dyeing and finishing (in tons)	33,580	38,003	43,610	21,663	**27,091**
	Printing and embroidery (in thousand pieces of fabric)	37,919	30,966	63,792	30,414	**32,289**
	Cutting and sewing (in thousand pieces of apparel)	68,180	77,699	95,446	45,441	**59,595**

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

Improvement in Product Mix

- Surge in sales of sports wear attributable to a closer strategic partnership with the sportswear customers. Sales contribution to the Group by sports wear rose 9.8 percentage points to 23% for the six months ended 30 June 2007
- Successfully tapped into lingerie business through ODM on its new fabric and new product development ability. Sales of lingerie accounted for 4.6% of the Group's total sales.

Balanced Market Development

- Japan and Europe remained the two largest markets of the Group and developed stably
- China, the US and other Asia Pacific markets also grew rapidly, of which domestic sales amounted to RMB120.5 million, representing an increase of 79% from that the previous year
- Reducing the operational risks of reliance on single market

Enrichment of Clientele

Casual wear customers

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

Sports wear customers

- Increased orders from existing clients
- Kappa, a renowned sports wear brand, and Marks & Spencer, the largest chain store in the UK become the new customers
- Top five customers accounts for 76% of the Group's total turnover

Strategies and Plans

Improve Integrated Competitiveness

- Enhancement of production capacity
- Market expansion and diversification
- Optimization of product mix
- Enhancement of product development ability
- Implementation of stringent cost control measures

Improving operating efficiency and integrated competitiveness

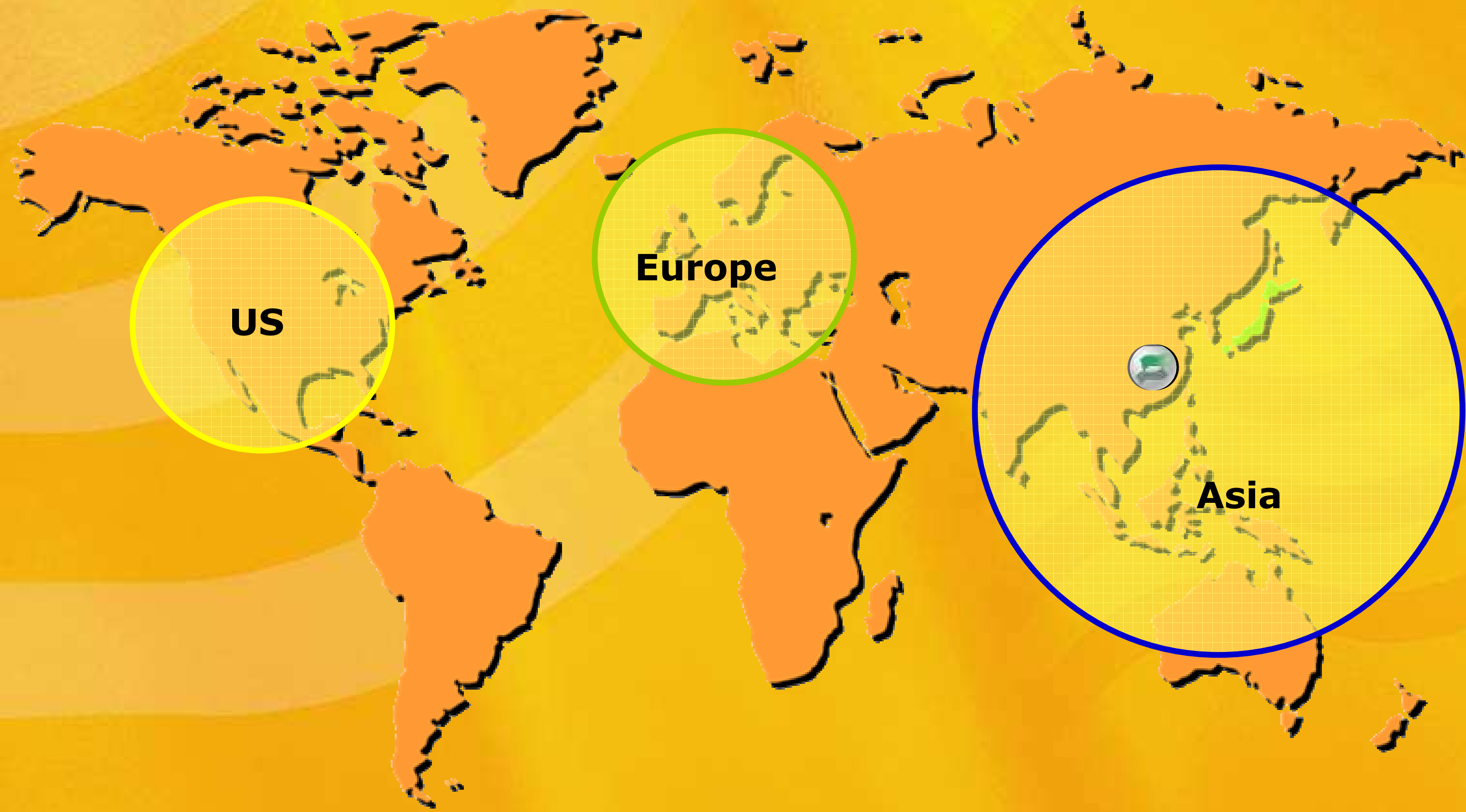
Enhancement of Production Capacity

- Intend to establish production facilities in Mid-West region of China
- Further enhance the production and integrated servicing capacity of the garment factory in Cambodia
- Ningbo developed to be the production centre for fabrics and garments, while Mid-West region of China, and Cambodia to be the supportive base for garment production base

Lower labour cost and production cost

Market Expansion and Diversification

- In view of potential restriction on China's textile and apparel exports to EU and US markets, the Group will progressively promote its development in those quota-free markets, such as Australia, Korea, Southeast Asia etc.
- Further increase the domestic sales to grasp the opportunities arising from the 2008 Beijing Olympic Games



Optimization of Product Mix

- Further increase the sales proportion and sales volume of sports wear, and foster a closer and tighter relationship with the renowned sports brands customers
- Further expand the lingerie business to capture the bourgeoning lingerie market in the PRC

Sports wear

Casual wear

Lingerie wear

Enhancement of Product Development Ability

- Enhance the standards and techniques of the research and development in fabrics and expand the lingerie business to higher-end markets
- In addition to the co-operating with the renowned sports wear brand in running fashion design centres, the Group will further strengthen its fashion design ability through recruiting its own senior fashion designers in Paris and Tokyo

Fabrics

Mission

To Be

The Most Competitive

Knitwear Manufacturer

In the World

Open Forum