SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED
申洲國際集團控股有限公司*

INTERIM RESULTS 2015

August, 2015

Agenda

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

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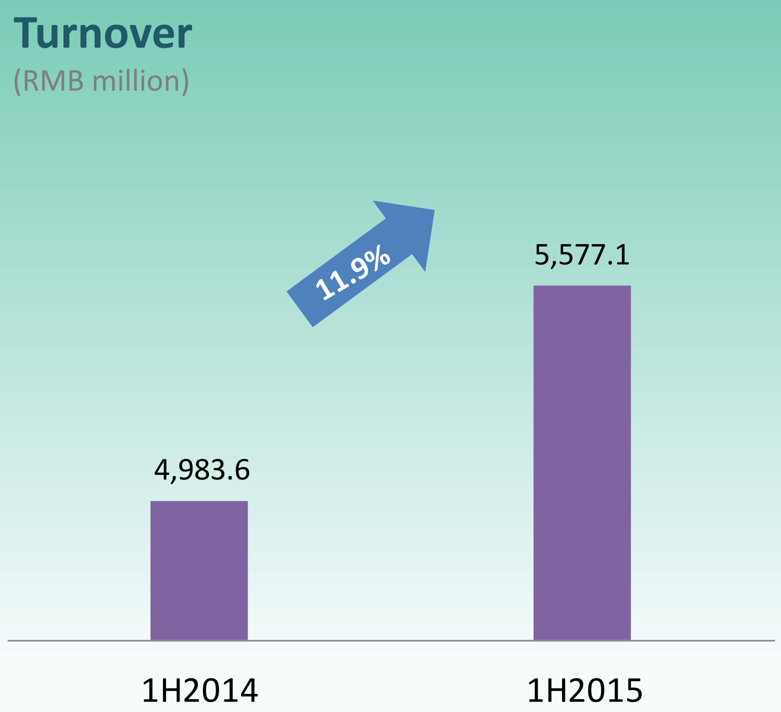
GROUP HOLDINGS LIMITED
申洲國際集團控股有限公司*

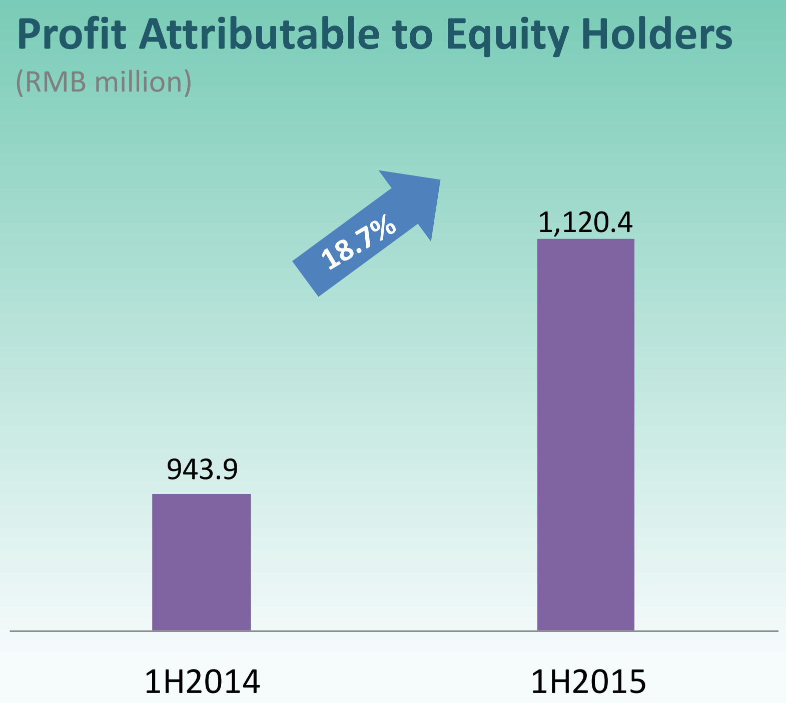
Financial Highlights

Financial Highlights

(RMB '000)	***6 months ended 30 June***		*% Change*
	2015	2014	
Turnover	**5,577,120**	4,983,637	11.9%
Gross profit	**1,637,052**	1,402,484	16.7%
Profit attributable to equity holders	**1,120,363**	943,900	18.7%
Basic EPS (RMB)	**0.80**	0.67	19.4%

Sales Analysis



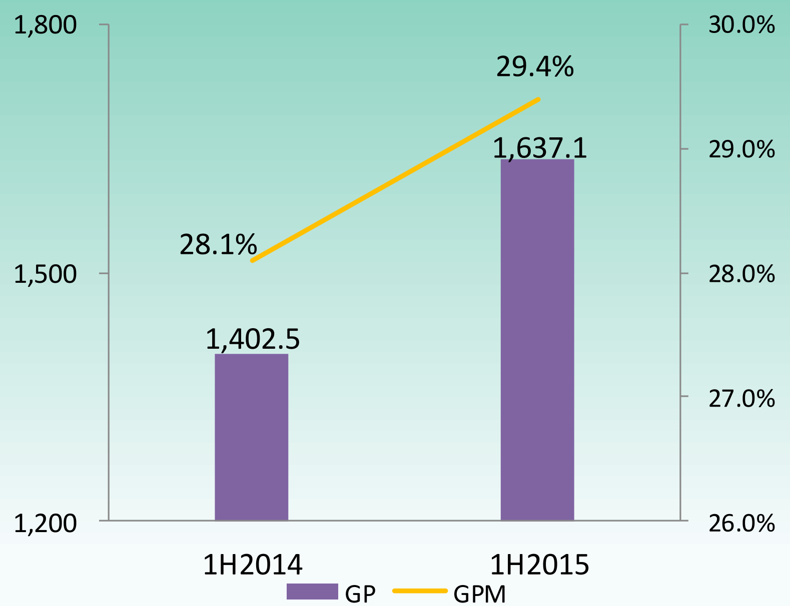


- Sustainable sales growth amid challenging operating environment:
  - ✓ Satisfactory revenue increase in sportswear sales
  - ✓ Improved production efficiency due to greater staff stability as compared to 1H2014

Profit Margins Analysis

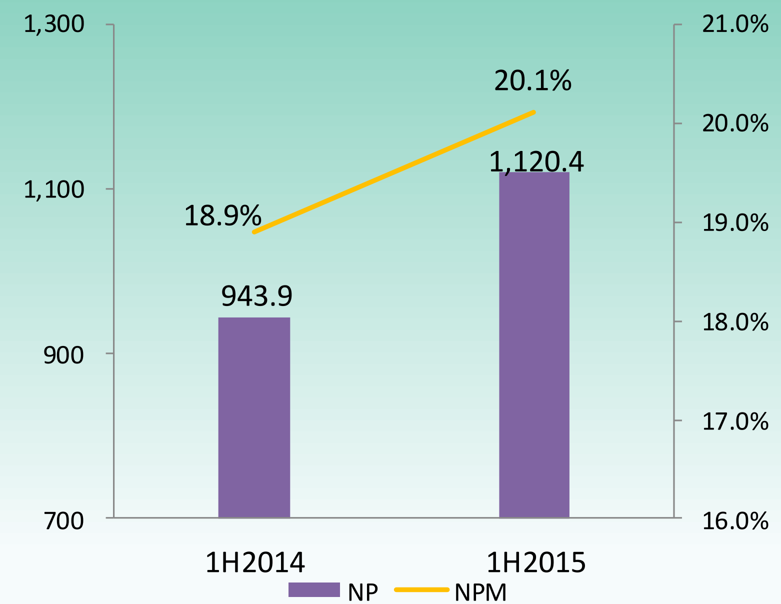
Gross Profit

(RMB million)



Net Profit

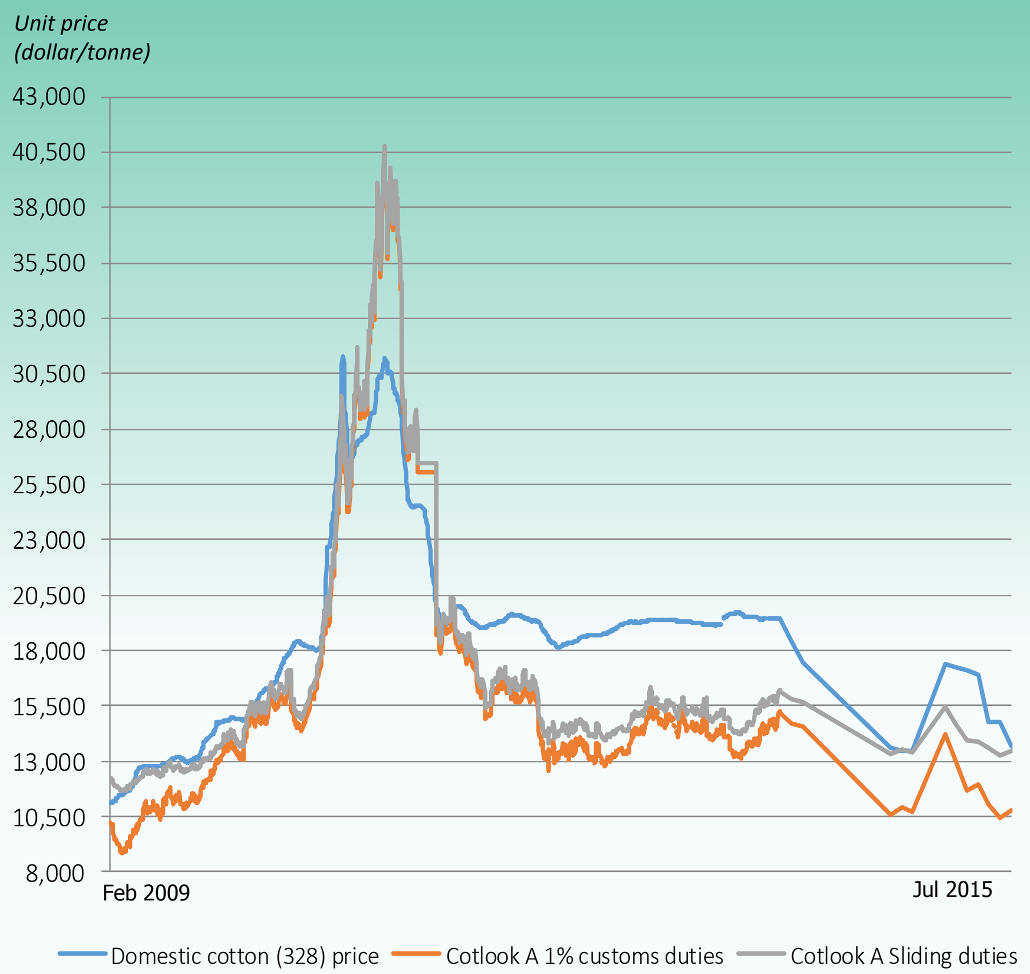
(RMB million)



- Overall gross profit margin increased by 1.3 p.p, mainly due to:
  - ✓ Significant improvement in production efficiency thanks to lower employee turnover rate and efforts in lean production management
  - ✓ Further optimization of the Group's product mix
  - ✓ Lower procurement cost of textile yarns as a result of stabilized cotton and petroleum prices in 1H2015, despite the surge in labour cost offsetting the increase in gross profit margin

Domestic and International Cotton Prices

	Domestic cotton (328) price	Cotlook A 1% customs duties	Cotlook A sliding duties
11-Apr	26,927	28,756	29,117
11-May	24,478	27,266	27,266
11-Jun	24,056	26,053	26,441
11-Jul	20,123	18,694	19,155
11-Aug	19,307	18,987	19,445
11-Sep	19,533	19,546	19,999
11-Oct	19,716	17,948	18,416
11-Nov	19,201	16,985	17,463
11-Dec	19,086	15,451	15,944
12-Jan	19,247	16,291	16,780
12-Feb	19,505	16,224	16,690
12-Mar	19,462	16,563	17,045
12-Apr	19,351	16,050	16,551
12-May	18,731	13,116	14,181
12-Jun	18,164	13,113	14,179
12-Jul	18,323	13,428	14,411
12-Aug	18,520	13,910	14,775
12-Sep	18,673	13,185	14,232
12-Oct	18,709	13,103	14,172
12-Nov	18,918	13,235	14,268
12-Dec	19,201	13,329	14,337
13-Jan	19,271	14,491	15,231
13-Feb	19,325	14,487	15,228
13-Apr	19,362	14686	15,389
13-May	19,336	14223	15,018
13-Jun	19,300	14458	15,205
13-Jul	19,222	14554	15,282
13-Aug	19,155	14029	14,867
13-Sep	19,158	14577	15,301
13-Oct	19,651	13,427	14,409
13-Nov	19,603	13,317	14,329
13-Dec	19,534	14,036	14,872
14-Jan	19,436	14,198	15,460
14-Feb	19,466	14,636	15,765
14-Mar	19,445	15,174	16,138
14-Apr	18,396	14,687	15,792
14-May	17,427	14,541	15,691
14-Jun	17,377	14,229	15,478
14-Jul	17,214	13,063	14,732
14-Aug	17,121	11,672	13,911
14-Sep	16,898	11,952	13,865
14-Oct	14,785	11,053	13,579
14-Nov	14,786	10,405	13,254
14-Dec	13,641	10,797	13,451
15-Jan	13,565	10,583	13,338
15-Feb	13,436	10,921	13,511
15-Mar	13,466	10,733	13,413
15-Apr	13,452	11,219	13,664
15-May	13,356	11,621	13,882
15-Jun	13,330	11,250	13,689



Turnover Breakdown by Products

- Growth in sportswear sales mainly attributed to the increasing demand for international brands products in the European and US markets
- Increase in casual wear sales was driven by the growing demand for casual wear from Japan and Mainland China, yet its growth rate was offset by the continuous reduction of orders obtained from small- to medium-sized customers, so as to fulfil the growing orders from strategic clients
- Revenue dropped by approximately 20.5% in lingerie sales due to deteriorating purchasing demand from the Japanese market

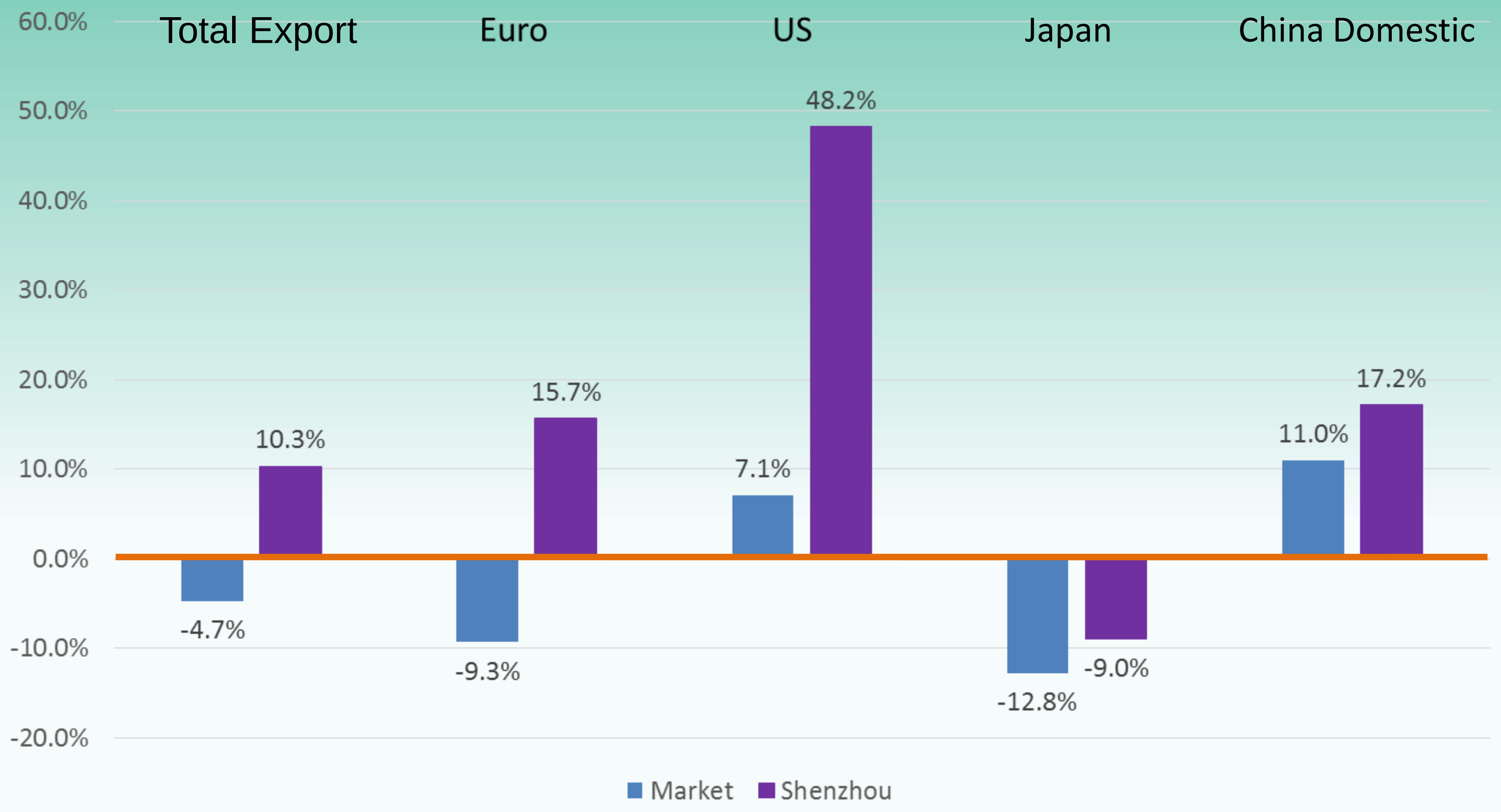
(RMB '000)	***1H2015***		*1H2014*		*% Change*	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By Product						
Sports wear	**3,605,295**	**64.6**	3,117,439	62.6	487,856	15.6
Casual wear	**1,375,784**	**24.7**	1,112,038	22.3	263,746	23.7
Lingerie	**534,677**	**9.6**	672,704	13.5	(138,027)	(20.5)
Other knitting products	**61,364**	**1.1**	81,456	1.6	(20,092)	(24.7)
Total	**5,577,120**	**100**	4,983,637	100	593,483	11.9

Turnover Breakdown by Regions

- Decrease in sales from the Japanese market was primarily attributable to considerable decrease in the purchasing demand for lingerie products, as well as the Group's reducing some of the orders from small- to medium-sized customers
- Sales growth in the European market was mainly due to the increase in the purchasing demand for Group's sportswear products
- The significant sales growth in the US market, up by 48.2%, was mainly due to the increase in consumption demand prompted by the strengthening US economy
- Revenue growth in domestic market was owing to the increased purchasing demand for sales of international brands in the PRC region

(RMB '000)	***1H2015***		*1H2014*		*% Change*	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Japan	**1,279,845**	**22.9**	1,406,301	28.2	(126,456)	(9.0)
Europe	**1,013,345**	**18.2**	875,797	17.6	137,548	15.7
United States	**682,275**	**12.2**	460,239	9.2	222,036	48.2
Other countries	**1,258,992**	**22.6**	1,095,868	22.0	163,124	14.9
Domestic market	**1,342,663**	**24.1**	1,145,432	23.0	197,231	17.2
Total	**5,577,120**	**100.0**	4,983,637	100.0	593,483	11.9

Apparel Domestic and Export Sales Performance of China in 1H2015



Key Financial Indicators

	2015.06.30	*2014.12.31*	*2014.06.30*
Inventory turnover days	**132**	116	125
Debtor turnover days	**54**	49	55
Creditor turnover days	**24**	20	23

	2015.06.30	*2014.12.31*	*2014.06.30*
Gross gearing ratio (debt to equity) (%)	**34.4**	24.7	26.8
Current ratio (times)	**4.6**	8.1	9.0
Cash and Cash Equivalent (RMB million)	**2,164.5**	1,428.1	4,546.2
Net assets (RMB million)	**11,795.2**	11,811.3	10,661.2
Total assets (RMB million)	**17,085.8**	15,943.0	14,636.4

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Business Review

Major Achievements in 1H2015

Further expansion of the overseas production bases

- In January 2015, the Group set up a new garment factory in Ho Chi Minh City, Vietnam to promote the establishment of a vertically integrated business model for its overseas production
- Phase II and Phase III of the fabric factory in Vietnam has commenced construction and production, while Phase 1 has reached its designed production capacity
- Construction of new garment factory in Vietnam is expected to be completed by end of the year, large-scale staff recruitment will take place in 2016
- It is expected that our clients will be benefited from saving import tariffs through the Group's overseas production

Major Achievements in 1H2015 *(con't)*

Enhanced production efficiency with greater staff stability

- Strengthened staff vocational training and carried out employees' care campaigns resulting in greater staff stability
- The Group's efforts in technological innovation of manufacturing and sustainable development are widely-recognized by major customers

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
- Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 57.3% (1H2014: 54.5%) of the Group's total turnover

Retail Business Update

- Sustained the stable growth of retail business
- Directly managed 40 stores in cities within the Yangtze River Delta region
- Target to open 5 new stores in 2H2015

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Strategies & Plans

Future Strategies

Accelerate the establishment of vertical integration business model and continue to expand the capacity of overseas production

Strengthen R&D and innovation capability

Enhance production efficiency by implementing lean production management

Future Strategies

Positive	Negative
Depreciation of RMB against USD	Stringent environmental protection policies
Relatively low cotton prices	Increasing wages
VAT rebate	Customs duty
New capacity from new plants in Vietnam	

The Group Holds a Cautiously Optimistic View on 2015 Prospects

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Open Forum