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

INTERIM RESULTS 2017

August, 2017

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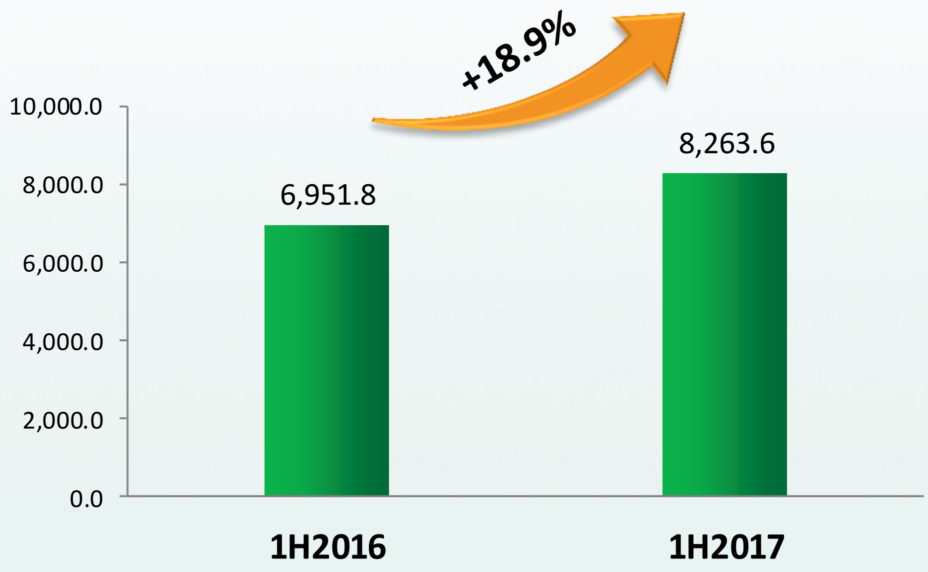
Financial Highlights

Financial Highlights

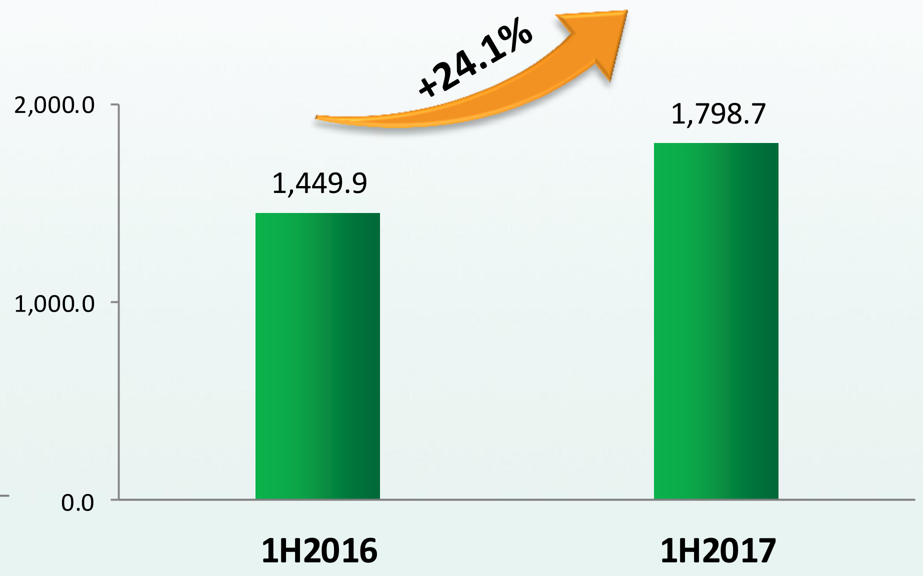
(RMB '000)	2017	2016	% Change
	For the 6 months ended 30 Jun		
Turnover	**8,263,585**	6,951,773	**+18.9**
Gross profit	**2,616,343**	2,215,781	**+18.1**
Profit attributable to equity holders	**1,798,664**	1,449,896	**+24.1**
Basic EPS (RMB)	**1.27**	1.04	**+22.1**
Interim Dividend (HK$)	**0.70**	--	**N/A**

Sales Analysis

Turnover
(RMB million)

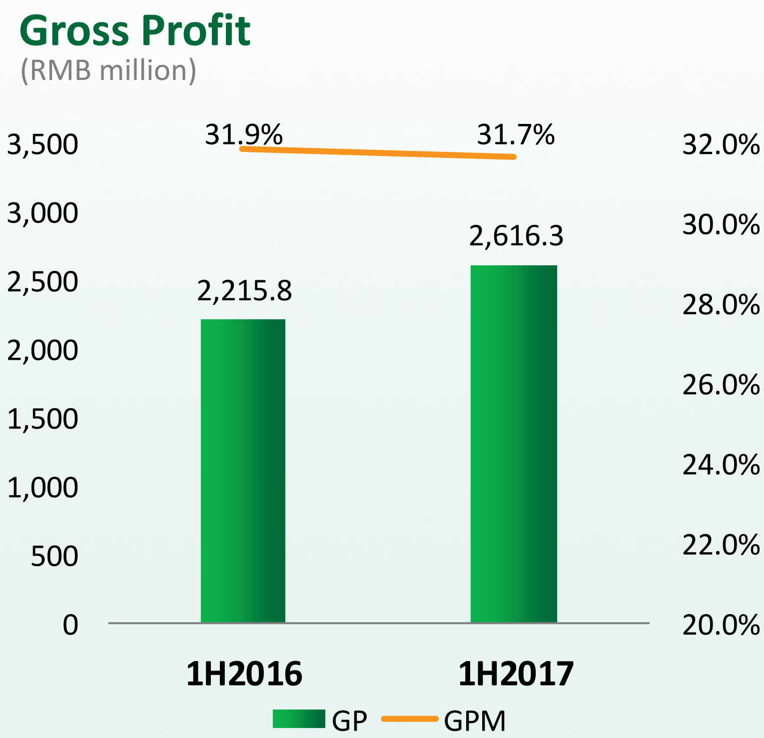


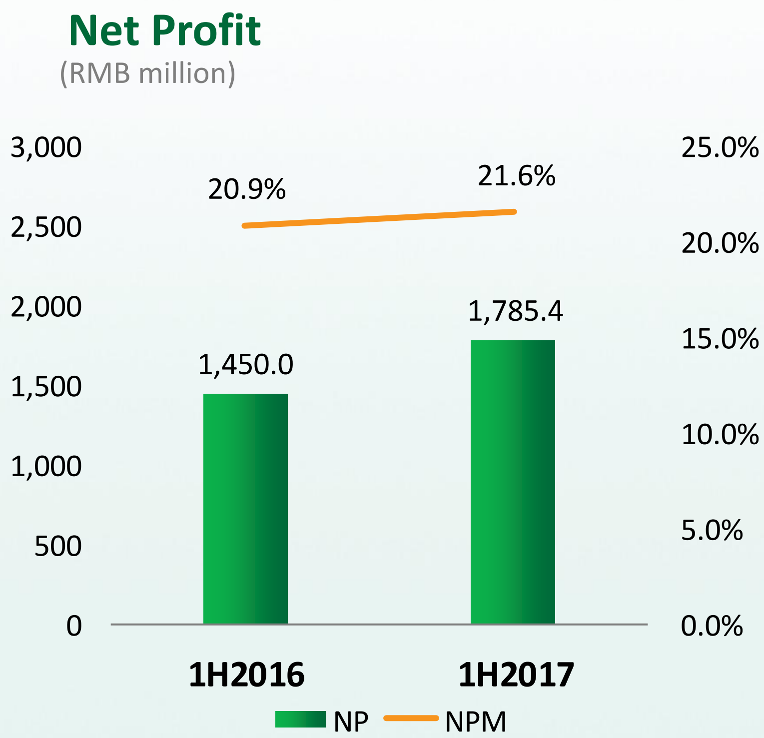
Profit Attributable to Equity Holders
(RMB million)



- Maintained satisfactory growth in revenue and achieved decent operating results
  - the Group's increased production capacity due to the scale expansion of its overseas production bases in Vietnam
  - The continued increase in production efficiency of its workforce
  - Sustained stable growth in the demand and orders from major clients

Profit Margins Analysis

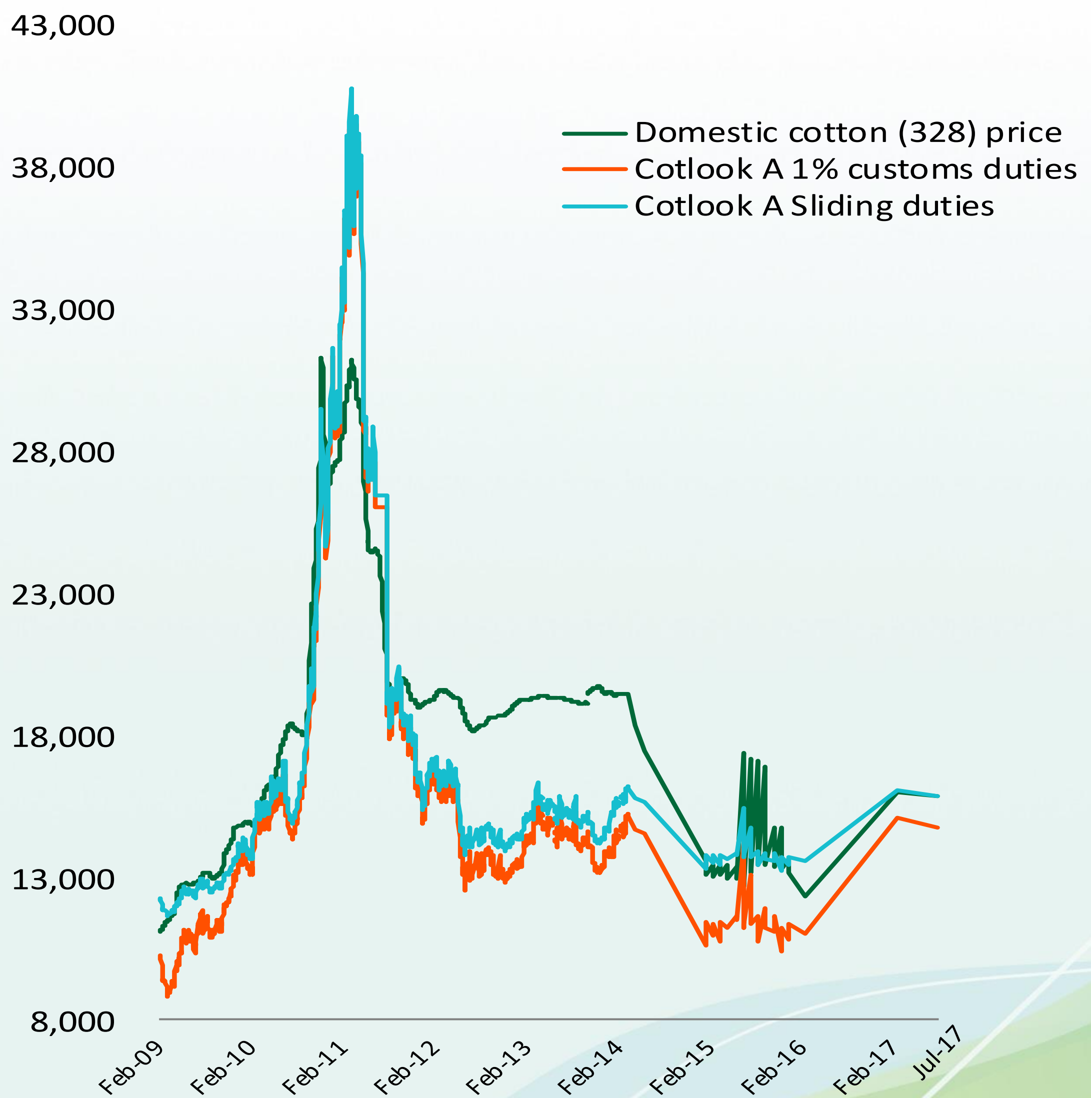




- Overall gross profit margin remained stable, mainly due to:
  - the effective improvement in production efficiency; and
  - the continuous optimization of product structure

Domestic and International Cotton Prices

	Domestic cotton (328) price	Cotlook A 1% customs duties	Cotlook A sliding duties
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
15-Jul	13,175	11,356	13,742
15-Aug	13,123	11,424	13,780
15-Sep	13,060	11,379	13,758
15-Oct	13,073	11,453	13,793
15-Nov	12,960	11,227	13,672
15-Dec	12,939	11,476	13,809
16-Jan	12,679	11,379	13,758
16-Feb	12,322	11,040	13,574
17-Feb	16,001	15,112	16,097
17-Jul	15,899	14,784	15,867



Turnover Breakdown by Products

- Growth in sportswear was mainly attributable to the increase in demand for garment products of international brands in the European and US market, as well as the increase in demand for sports fabric products
- Increase in casual wear sales was mainly attributable to the increase in procurement demand from Japan and mainland China
- Revenue dropped by approximately 5.3% in lingerie sales due to deteriorating purchasing demand from the mainland China market

	1H2017		1H2016		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
By Product						
Sports wear	**5,518,787**	**66.8**	4,488,837	64.6	**+1,029,950**	**+22.9**
Casual wear	**2,061,078**	**24.9**	1,750,491	25.2	**+310,587**	**+17.7**
Lingerie	**620,510**	**7.5**	655,016	9.4	**-34,506**	**-5.3**
Other knitting products	**63,210**	**0.8**	57,429	0.8	**+5,781**	**+10.1**
Total	**8,263,585**	**100.0**	6,951,773	100.0	**+1,311,812**	**+18.9**

Turnover Breakdown by Regions

- European market maintained rapid growth and became as the most important oversea market of the Group, which was mainly attributable to a rise in purchasing demand for sportswear in Europe and the increase in productivity of the Group’s overseas production bases
- Recorded stable sales in the Japanese market due to the decrease in consumption demand for garment, as well as the Group’s reducing some of the orders from small- to medium-sized customers
- The significant revenue growth in the US market mainly due to the satisifactoty increase in consumption demand in US which led to the increase in the purchasing order for Group’s sportswear products
- Sales increase in the domestic market was mainly due to the increase in sales of international brands in Chinese market

	1H2017		1H2016		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
Europe	1,930,968	23.4	1,519,001	21.8	+411,967	+27.1
Japan	1,496,797	18.1	1,484,553	21.3	+12,244	+0.8
United States	1,025,146	12.4	707,460	10.2	+317,686	+44.9
Other countries	1,833,661	22.2	1,589,654	22.9	+244,007	+15.3
Domestic market	1,977,013	23.9	1,651,105	23.8	+325,908	+19.7
Total	8,263,585	100.0	6,951,773	100.0	+1,311,812	+18.9

Key Financial Indicators

	2017.06.30	2016.12.31	2016.06.30
Inventory turnover days	**129**	124	125
Debtor turnover days	**55**	56	53
Creditor turnover days	**27**	26	27

	2017.06.30	2016.12.31	2016.06.30
Gross gearing ratio (debt to equity) (%)	**12.1**	30.8	34.7
Current ratio (times)	**3.9**	4.1	4.1
Cash and Cash Equivalent (RMB million)	**1,972.6**	2,105.2	1,984.7
Net assets (RMB million)	**18,361.0**	15,309.6	13,367.1
Total assets (RMB million)	**22,353.9**	21,816.1	19,497.3

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Business Review

Major Achievements in 1H2017

Achieved further upgrade on management of overseas production base

- Greatly increased in production capacity, effectively reducing the pressure of fixed costs sharing
- Increase in the production capacity and productivity of the Vietnam fabrics factory has compensated for production capacity during the renewal transformation of the domestic fabric factory's assembly line
- The Vietnam special fabrics project has also successfully commenced production, providing a foundation in future expansion of our production capacity
- Formed a stable management team and is gradually training outstanding local staff to join its management team

Major Achievements in 1H2017

Reinforcing lean production management to mitigate rising labour costs

- Expanded application of automation equipment and sustained improvement in lean production management, resulting continuous growth in productivity
- Recruitment of new staff for the Vietnam factory met expectations, gradually increasing worker productivity
- Raised quality of the Group’s management staff through training by Self built “Shenzhou School of Management”

Major Achievements in 1H2017

Improvement on production technique to meet environmental production

- Conducted a renewal of old production assembly lines in domestic materials bases in batches to achieve energy and water saving
- Carried out a transformation of water supply and sewage pipes facilities
- Collaborated with the China Academy of Science to achieve energy and emissions reduction goals
- Currently conducting a pilot heat energy transformation project using nature gas as fuel

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, the Group also introduced certain quality new clients
- Revenue from sportswear products represented 66.8% of total revenue, in which the proportion of new fabric products rose further. Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 58.3% (20161H: 55.5%) of the Group's total turnover

Retail Business Update

- Existing number of shops: 86
- 49% shareholding sold to 3rd party
- Operation results not yet reached management expectations but have improvement
- Management will conduct strategy to improve the existing shops

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Strategies
& Plans

Future Strategies

Continue to strengthen efforts in recruiting and training of talents

Keep expanding the capacity of overseas production bases

Persist in enhancing the sustainable development capability of enterprises

Enhance R&D innovation of products

Expand application scope of automation equipment in production and refine lean production management

Future Strategies

The Group Holds a Optimistic View on 2017 Prospects

Positive	Negative
New material products increasing	Appreciation of RMB against USD
Automation & improved efficiency	Import tariffs imposed by main importing countries
New capacity from new plants in Vietnam	Increasing costs, yarn, salary and other direct cost

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Open Forum