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

STOCK CODE 股份編號：2313

INTERIM RESULTS
2019

August 2019

Agenda

SHENZHOU INTERNATIONAL
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FINANCIAL HIGHLIGHTS

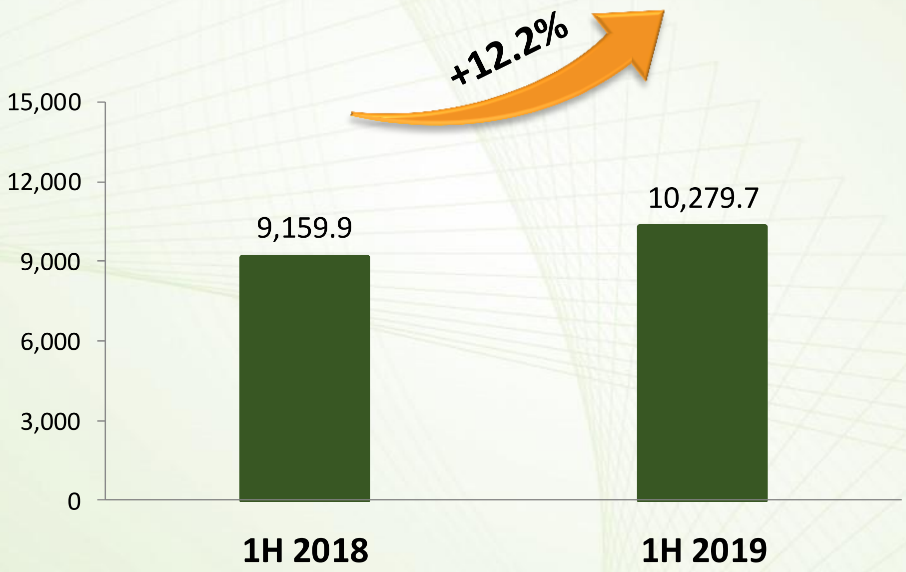
Financial Highlights

(RMB '000)	*For the 6 months ended 30 Jun* **2019**	2018	**% Change**
Turnover	**10,279,693**	9,159,900	**+12.2**
Gross profit	**3,174,879**	2,956,863	**+7.4**
Profit attributable to equity holders	**2,416,027**	2,178,871	**+10.9**
Basic EPS (RMB)	**1.61**	1.45	**+11.0**
Interim dividend(HK$)	**0.90**	0.85	**+5.9**

Sales Analysis

Turnover

(RMB million)



Profit Attributable to Equity Holders

(RMB million)

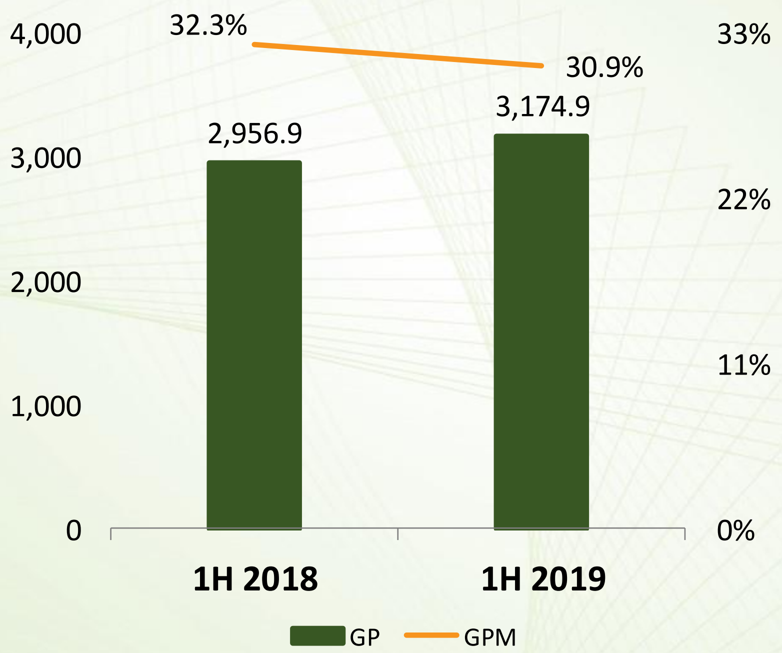
- Maintained satisfactory growth in revenue and achieved decent operating results
  - The order demand from our major customers continued to achieved ideal growth
  - The production capacities and productivity of the overseas production bases of the Group were further expanded

Net Profit to the Shareholders of Listed Co. Excluding Retail Business & Donation

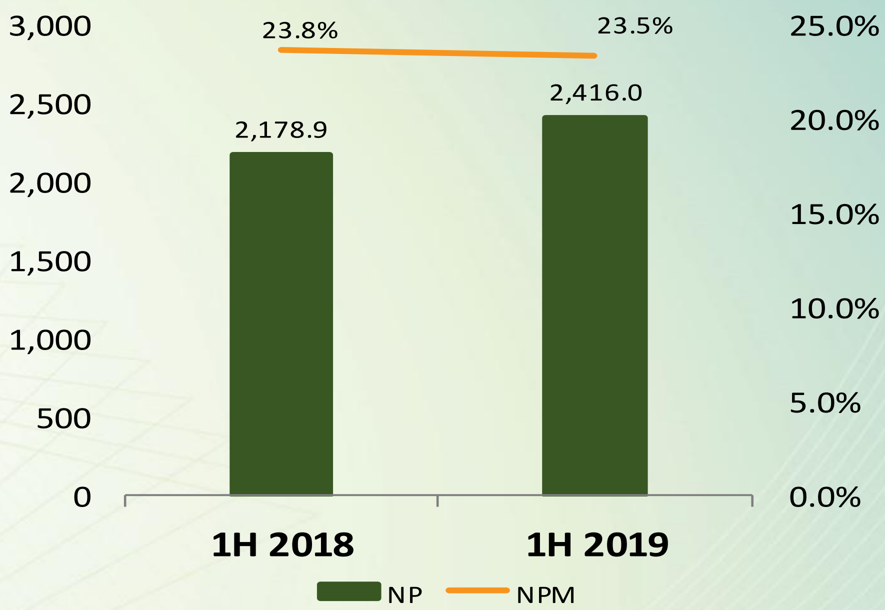
	1H 2018 RMB '000	1H 2019 RMB '000	Change
Net Profit to Shareholders	2,178,871	2,416,027	10.90%
Retail Business Loss Sharing 51%	26,315	82,944	13.30%
	2,205,186	2,498,971	
Donation (net of tax)	793	32,094	
Net Profit (adjusted)	**2,205,979**	**2,531,065**	**14.74%**

Profit Margins Analysis

Gross Profit
(RMB million)

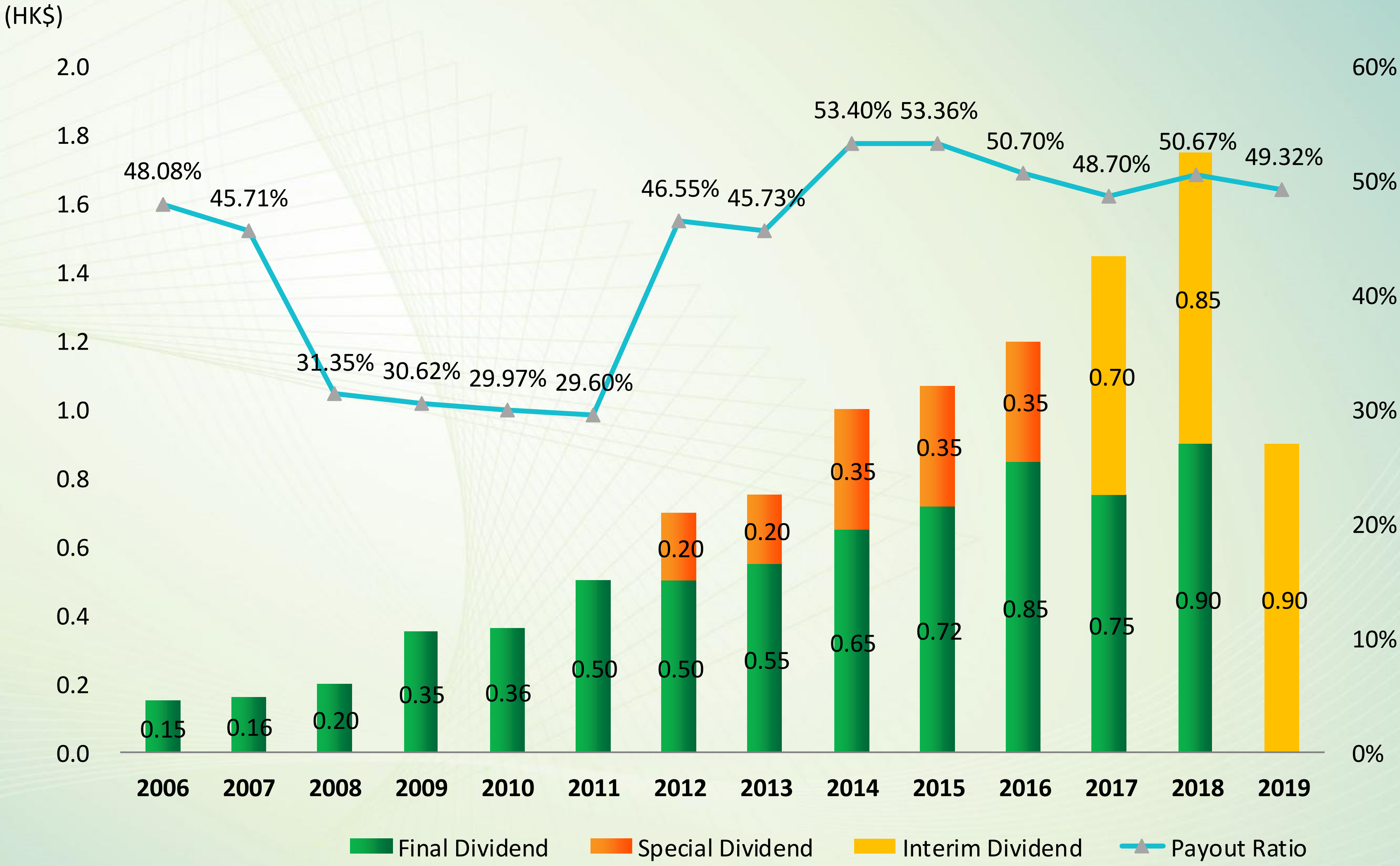


Net Profit Attributable to Equity Holders
(RMB million)



- Overall gross profit margin slightly decreased by 1.4p.p. to 30.9%, mainly due to:
  - The discount sales in proprietary stores for destocking due to the shrinking of retail business by the Group
  - The increase in cost of chemical raw chemical used in the dyeing process
  - The rise in labour cost during the period

Dividend and Payout Ratio



Domestic and International Cotton Prices

Note 1: New cotton national standard GB1103-2012 has come into effect since September in 2013 and CC Index 3128B is introduced afterwards.

Turnover Breakdown by Products

- Growth in sportswear sales was mainly attributable to the increase in demand for garment products of sports brands in the US and mainland China market
- Increase in casual wear sales was driven by growing demand in procurement from Japan
- Revenue decreased by 35.8% in lingerie sales due to decreasing purchasing demand from Japan

	1H2019		1H2018		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
By Product						
Sports wear	**7,369,014**	**71.7**	6,215,593	67.9	**1,153,421**	**18.6**
Casual wear	**2,373,614**	**23.1**	2,164,359	23.6	**209,255**	**9.7**
Lingerie	**458,900**	**4.5**	714,412	7.8	**-255,512**	**-35.8**
Other knitting products	**78,165**	**0.7**	65,536	0.7	**12,629**	**19.3**
Total	**10,279,693**	**100**	9,159,900	100	**1,119,793**	**12.2**

Turnover Breakdown by Regions

- Significant revenue growth in the US market was mainly due to the increase in demand for order for the Group’s sportswear products
- Recorded growth in the Japanese market due to the increase in procurement demand for causal wear and sportswear products
- European market recorded a decrease in sales, which was primarily attributable to the decline in procurement demand for sportswear products
- Sale increase in the domestic market was mainly due to the rapid growth in demand for order from the Group’s major customers

	1H2019		1H2018		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
Europe	**1,744,244**	**17.0**	1,851,673	20.2	**-107,429**	**-5.8**
Japan	**1,551,343**	**15.1**	1,428,645	15.6	**122,698**	**8.6**
United States	**1,532,246**	**14.9**	1,284,561	14.0	**247,685**	**19.3**
Other countries	**2,228,693**	**21.7**	1,977,403	21.6	**251,290**	**12.7**
Domestic market	**3,223,167**	**31.3**	2,617,618	28.6	**605,549**	**23.1**
Total	**10,279,693**	**100**	9,159,900	100	**1,119,793**	**12.2**

Key Financial Indicators

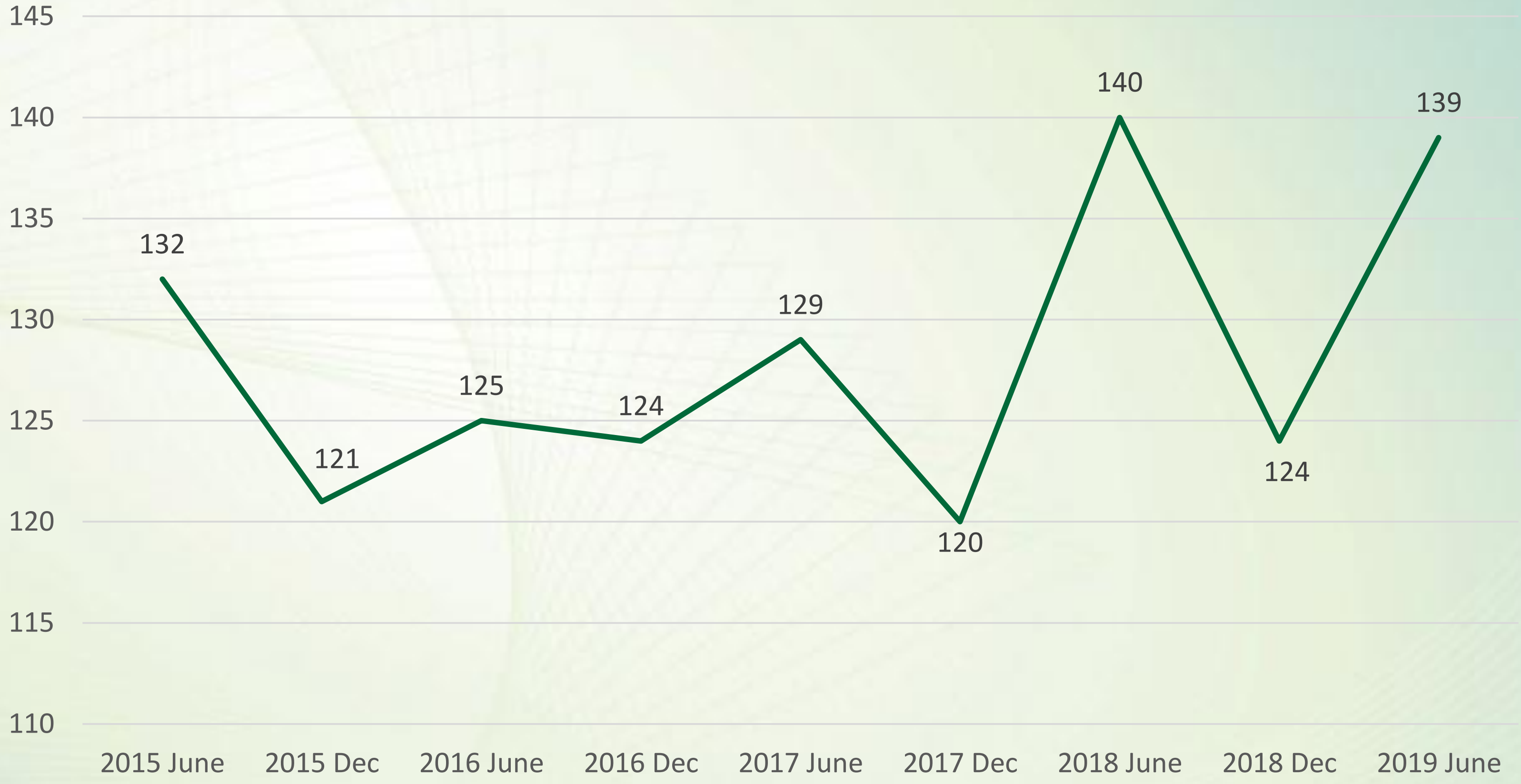
	2019.06.30	2018.12.31	2018.06.30
Inventory turnover days	**139**	124	140
Debtor turnover days	**58**	56	55
Creditor turnover days	**23**	21	28

	2019.06.30	2018.12.31	2018.06.30
Gross gearing ratio (debt to equity) (%)	**10.6**	11.3	10.6
Current ratio (times)	**4.3**	3.7	3.9
Cash and cash equivalent (RMB million)	**3,938.5**	3,565.9	1,643.7
Net assets (RMB million)	**23,630.2**	22,454.3	21,085.6
Total assets (RMB million)	**28,294.9**	27,552.1	25,243.5

Inventories

	20 June 2019 RMB '000	31 December 2018 RMB '000
Raw materials	**1,001,209**	1,179,985
Work in progress	**2,298,571**	2,075,322
Finished goods	**2,492,429**	2,104,700
	5,792,209	5,306,007
Provision	**(131,470)**	(122,575)
	5,660,739	5,237,432

Inventories Turnover Days Analysis



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BUSINESS REVIEW

Major Achievements in 1H2019

Further expand production capacities and productivity of overseas production base

- Effectively alleviating the pressure of insufficient production capability resulting from the increase in customer demand
- overseas factories has made significant progress in management, deepened lean management and promoted automation, and hence propelled the continuous improvement of their production efficiency.
- the Group's new garment factory in Cambodia has officially commenced its construction, and construction of the factory has been progressing smoothly.

Major Achievements in 1H2019

Achieve the coordination of enterprise development and environmental protection

- The Group started to expand the capacity of upstream fabric processes for domestic bases
- The Group is currently building more automated and intelligent logistics and warehousing facilities
- As a result, resources consumption in domestic bases further decreased during the period
- The Group will continue to increase investment in product R&D, cultivate and introduce technical personnel and implement incentive policies.
- Through product innovation, the Group will improve the functionality of fabrics or develop new functions to produce more green products of high-quality.
- At the same time, the Group will minimize the adverse impact in maximum level on the surrounding environment in the production process and achieve the coordination of enterprise development and environmental protection.

Hang Seng Corporate Sustainability Index Series Member 2018-2019

Hang Seng Corporate Sustainability Index Series

HKQQA Sustainability

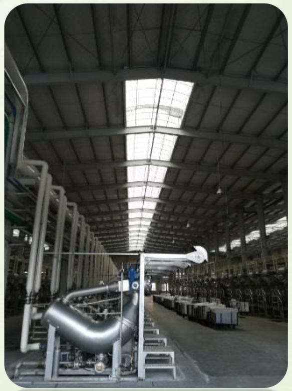
BOCHK Eco Partner

ISO14001

Major Achievements in 1H2019

Focus on automatic equipment application to mitigate rising labour costs

- Promote the progress of science and technology and management, continue to deepen lean production and management and further improve the production efficiency to cope with the rising cost
- Achieve the best use of capacity through strengthening the planning control over production schedule and adjustment capability.
- In terms of production efficiency, domestic production bases will provide talents and technical support to overseas bases in order to achieve synchronous upgrading of the Group as a whole



Major Achievements in 1H2019

Actively promote excellence in the investor relations

Plant visit

2018 Annual Results Announcement

Best IR by Company, CEO,CFO, IR Team, IRO, Investor Meeting(Large Cap) by HKIRA- total 6 IR Awards

- Successfully achieve transparency and effective communications with investors
- Awarded several investor relations awards for different sectors in recognition of the outstanding performance of the Group's investor relations management

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 71.7% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 83.2% (1H2018: 81.8%) of the Group's total turnover

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STRATEGIES & PLANS

Future Strategies

Enhancing product innovation ability

Promote science and technology and management

Employee care

Effectively arrange & distribute order business of domestic and foreign production bases

Oversea New Garment Factories Expansion Planning

	Vietnam	Cambodia
Area of land use right (sq. m.)	300,000	450,000
Employees Target	8,000	18,000
Employees Recruit	2,000	-
Investment amount (USD million)	100	200
Starting operation	Mid of 2019	1H 2020

Future Strategies

The Group Holds an Optimistic View on 2019 Prospects

Positive

- ✓ Automation and technological advancement
- ✓ Improved operation efficiency
- ✓ New capacity from Vietnam and Cambodia plants
- ✓ Depreciation of RMB against USD
- ✓ Yarn Price Decreasing

Negative

- Sino-US trade war
- Increasing costs
- Wages & Dyeing Materials
- Stringent environmental policies
- Retail Business Closing Down

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OPEN FORUM