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

INTERIM RESULTS 2016

August, 2016

Agenda

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

Financial Highlights

Financial Highlights

(RMB '000)	*For the 6 months ended 30 Jun* 2016	2015	% Change
Turnover	**6,951,773**	5,577,120	24.6%
Gross profit	**2,215,781**	1,637,052	35.4%
Profit attributable to equity holders	**1,449,896**	1,120,363	29.4%
Basic EPS (RMB)	**1.04**	0.80	30.0%

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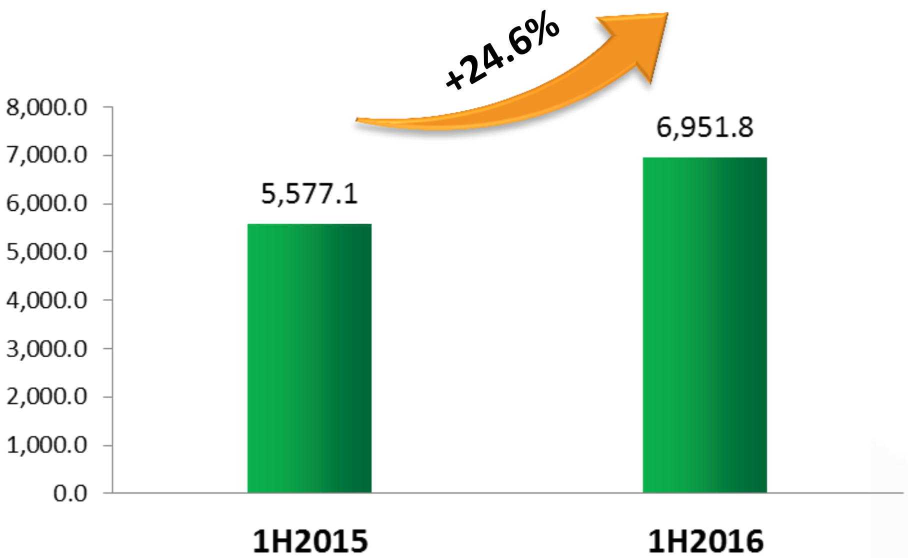
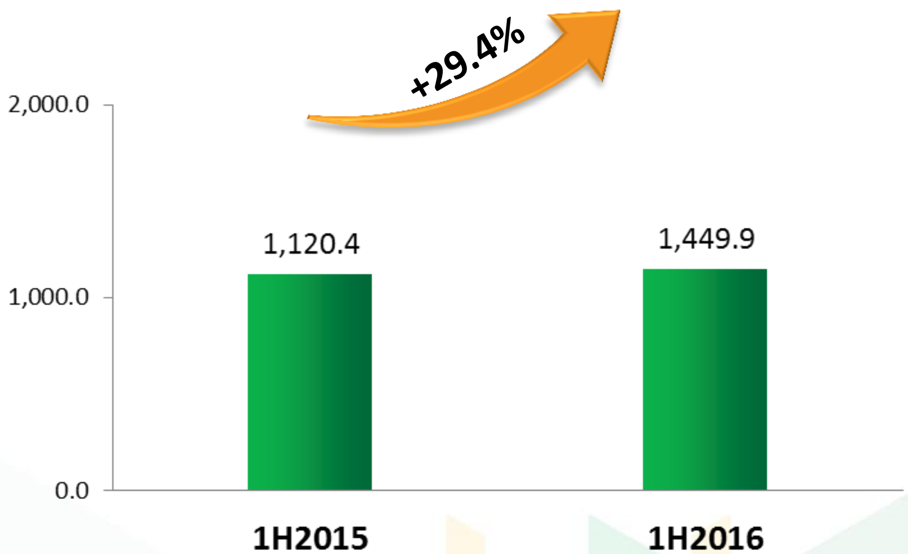
Sales Analysis

Turnover
(RMB million)



Profit Attributable to Equity Holders
(RMB million)

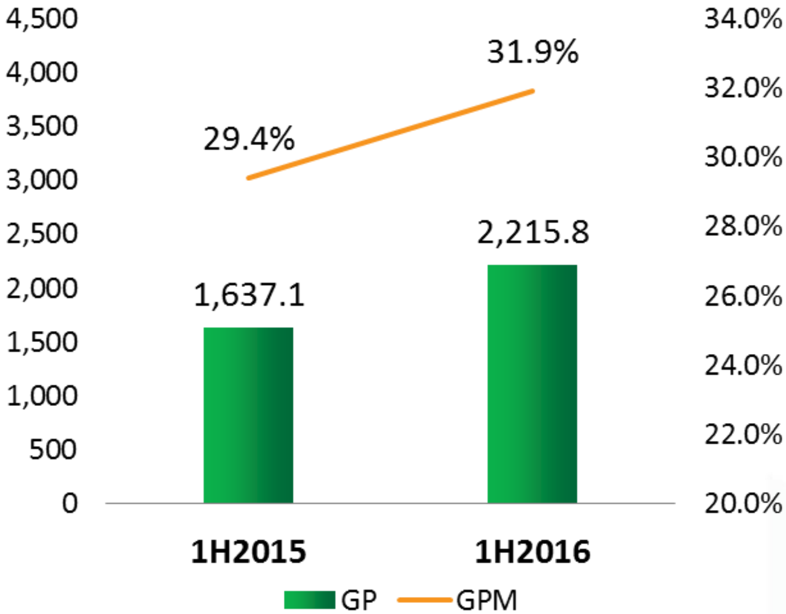


- Maintained sound growth in revenue and achieved decent operating results
  - ✓ the Group's improved production capacity due to the scale expansion of its overseas production bases in Vietnam and Cambodia
  - ✓ its increased production efficiency due to the satisfactory stability of workforce and the improved production automation level.

Profit Margins Analysis

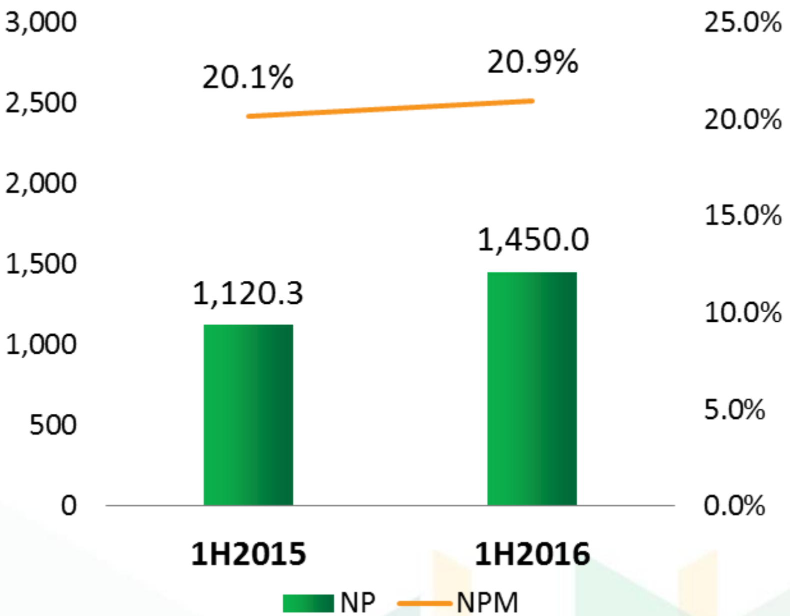
Gross Profit

(RMB million)



Net Profit

(RMB million)



- Overall gross profit margin increased by 2.5p.p, mainly due to:
  - ✓ the effective improvement in production efficiency;
  - ✓ the depreciation of exchange rate of RMB against US;
  - ✓ the continuous optimization of product structure

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Expenses and Interest Income

For the 6 months ended 30 Jun

(RMB '000)	**2016**	2015	**Change**
Selling and Distribution Expenses	166,456	115,420	+44.2%
Administrative Expenses	519,965	452,231	+15.0%
Financial Cost	53,724	43,859	+22.5%
Interest Income	79,208	81,886	-3.3%

Operating Profit Before Taxation

	For the 6 months ended 30 Jun		
(RMB '000)	**2016**	2015	**Change**
Profit before tax	**1,753,794**	1,353,900	29.5%
Exchange gain and loss	**45,267**	(35,569)	-227.3%
Government incentives	**(238,541)**	(211,811)	12.6%
Operating profit before taxation	**1,560,520**	1,106,520	41.0%
Gross profit	**2,215,781**	1,637,052	35.4%

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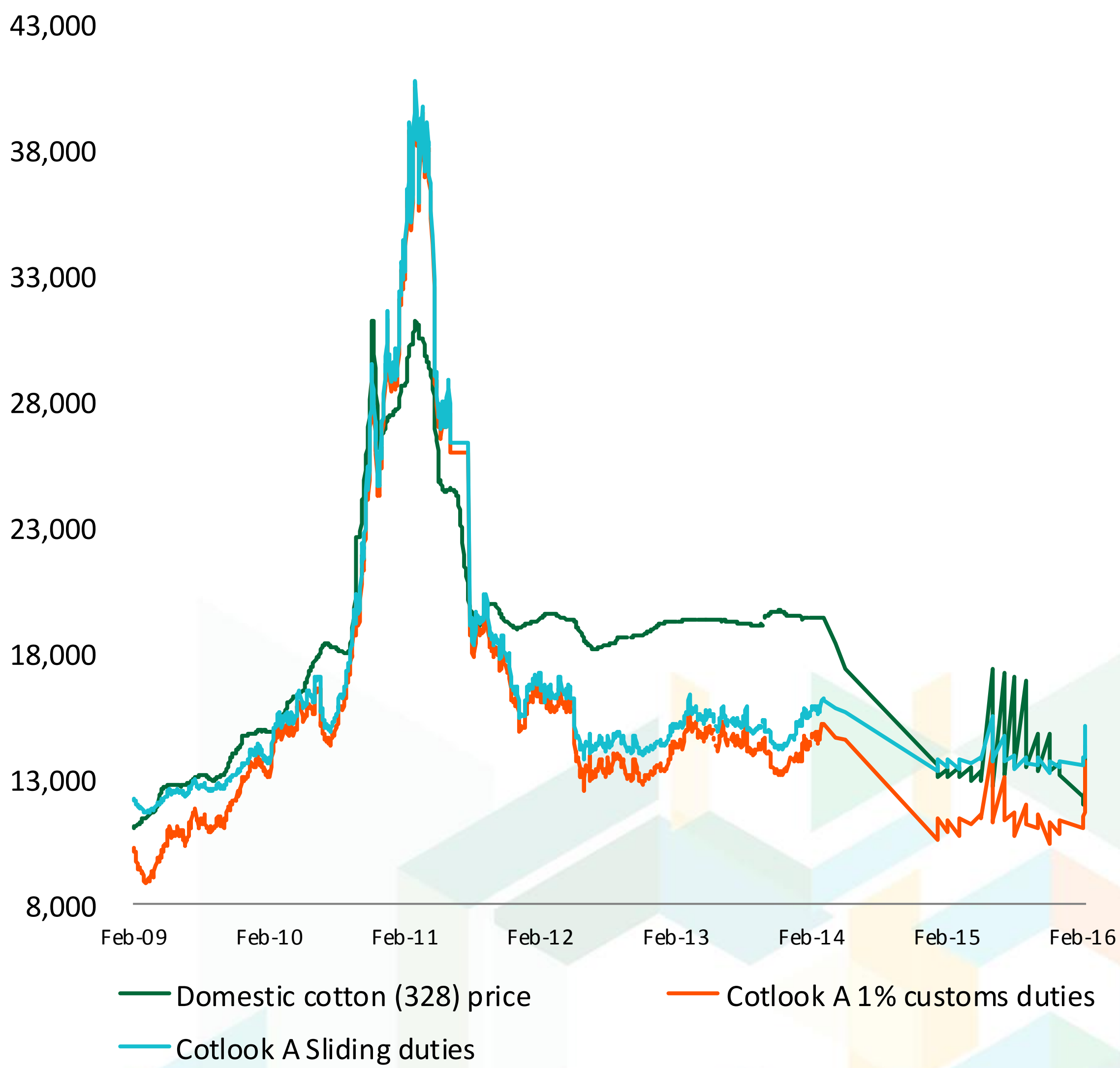
Domestic and International Cotton Prices

	Domestic cotton (328) price	Cotlook A 1% customs duties	Cotlook A sliding duties
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
16-Mar	12,403	10,952	13,529
16-Apr	11,992	11,533	13,842
16-May	12,505	11,646	13,902
16-Jun	12,683	12,358	14,297
16-Jul	14,314	13,679	15,106



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Turnover Breakdown by Products

- Growth in sportswear was mainly attributable to the increase in demand for garment products of international brands in the Europe and mainland China, as well as the increase in demand for sports fabric products
- Increase in casual wear sales was mainly attributable to the increase in demand for purchase of casual wear in Japan and mainland China
- Revenue increased by approximately 22.5% in lingerie sales was mainly attributable to the recovery of increase in demand for purchase of lingerie in Japan

(RMB '000)	1H2016 RMB'000		1H2015 RMB'000		Change RMB'000	
By Product						
Sports wear	**4,488,837**	**64.6%**	3,605,295	64.6%	883,542	24.5
Casual wear	**1,750,491**	**25.2%**	1,375,784	24.7%	374,707	27.2
Lingerie	**655,016**	**9.4%**	534,677	9.6%	120,339	22.5
Other knitting products	**57,429**	**0.8%**	61,364	1.1%	(3,935)	(6.4)
Total	**6,951,773**	**100%**	5,577,120	100%	1,374,653	24.6

Turnover Breakdown by Regions

- European market grew rapidly, and surpassed Japanese market to be the biggest oversea market of the Group for the first time, which was mainly attributable to the increase in demand for purchase of sportswear of the Group in Europe
- Sales growth in the Japanese market was mainly attributable to the recovery of increase in demand for purchase from the Group in Japan and the effective improvement in the Group's production capacity in the period
- The increase in the revenue of the Group in the US market was narrowed mainly due to the slower growth in consumption demand in the US
- Sales growth in the domestic market was mainly due to the increase in sales of international brands in Chinese market

(RMB '000)	1H2016 RMB'000		1H2015 RMB'000		Change RMB'000	
Japan	1,484,553	21.3%	1,279,845	22.9%	204,708	16.0
Europe	1,519,001	21.8%	1,013,345	18.2%	505,656	49.9
United States	707,460	10.2%	682,275	12.2%	25,185	3.7
Other countries	1,589,654	22.9%	1,258,992	22.6%	330,662	26.3
Domestic market	1,651,105	23.8%	1,342,663	24.1%	308,442	23.0
Total	6,951,773	100%	5,577,120	100%	1,374,653	24.6

Key Financial Indicators

	2016.06.30	2015.12.31	2015.06.30
Inventory turnover days	**125**	121	132
Debtor turnover days	**53**	53	54
Creditor turnover days	**27**	24	24

	2016.06.30	2015.12.31	2015.06.30
Gross gearing ratio (debt to equity) (%)	**34.7**	28.9	34.4
Current ratio (times)	**4.1**	5.1	4.6
Cash and Cash Equivalent (RMB million)	**1,984.7**	1,815.7	2,164.5
Net assets (RMB million)	**13,367.1**	13,089.8	11,795.2
Total assets (RMB million)	**19,497.3**	18,361.6	17,085.8

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Business Review

Major Achievements in 1H2016

Production capacity of fabric factory in Vietnam improved rapidly

- Production management achieved a satisfactory performance, which was helpful to shorten the delivery period of garment factories in Cambodia and Vietnam
- Guaranteed the upstream production capacity for the Group's rapid business growth during the period. Currently, the fabric project in Vietnam is in the process of expansion, and its management and technical personnel reserve run smoothly
- Production efficiency also improved stably, which has provided garment production service for the Group's core customers.
- Has also begun the construction of its special fabric production project.

Major Achievements in 1H2016 (con't)

Ease the pressure of rising labor costs

- Improve its employees' production efficiency by carrying out a series of standardized work in respect of equipment, workflow and operation, laying a good foundation to better improve the production automation level in the future
- Production efficiency was further improved leveraging on the increased automation level and the special mold we developed, which guaranteed the Group's rapid business growth

More balanced manner in sales growth

- Further reduced orders from some of its small and medium-sized customers
- Sales grew in a more balanced manner as evidenced by the fact that the sales of each of its core customers, major products and main markets delivered growth
- Awarded:
    - YZZH 2015-2016 "Hong Kong Listed Chinese Enterprise Award" – Highest Market Value
    - Forbes Chinese: Fortune: China 500 (Ranked 395)
    - Finet: Top 100 Hong Kong Listed Companies (ranked 36)

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 64.6% of total revenue, in which the proportion of new fabric products rose further. Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 55.5% (2015: 57.3%) of the Group’s total turnover

Retail Business Update

- Existing number of shops: 51
- Target to open 8 new stores in 2016
- Continue to apply its main resources into providing high-quality garment product to its core customers

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Strategies & Plans

Future Strategies

Persist in engaging in its principal business of garment manufacturing, create an atmosphere of sustained innovation

Gradually improve the level of automation in its production process to achieve the goal to improve production efficiency and reduce workers' labor intensity

Diversify product range and innovation in materials

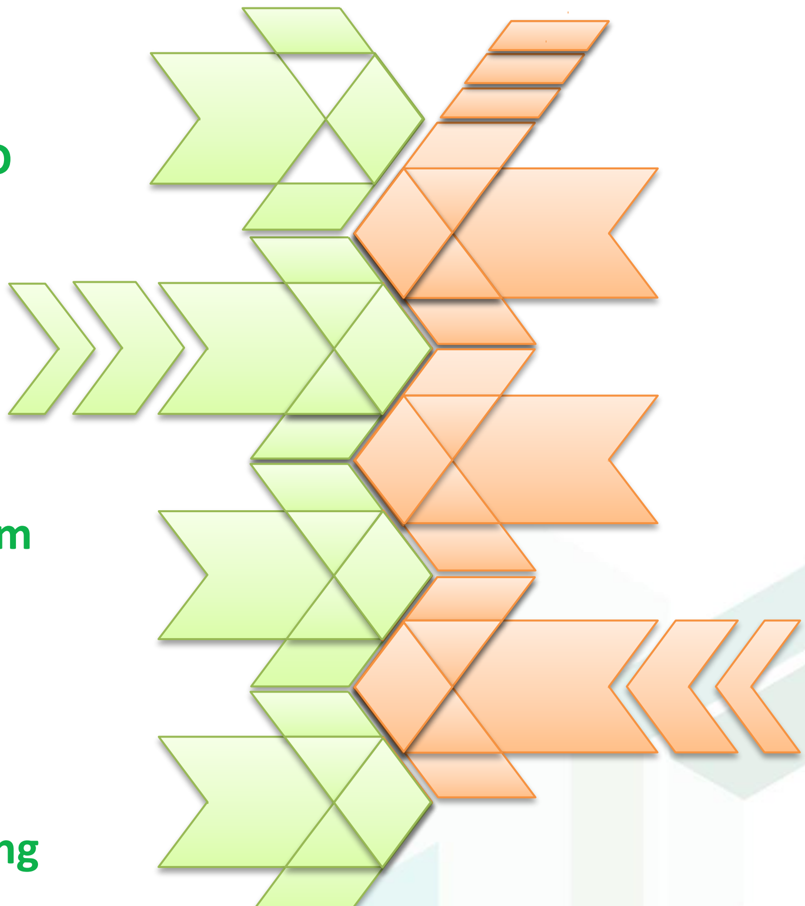
Further expand the scale of overseas production bases

Deepening the one-step services & optimize the logistics distribution

Future Strategies

The Group Holds a Optimistic View on 2016 Prospects

Positive	Negative
Depreciation of RMB against USD	Increasing costs
Automation & improved efficiency	Import tariffs imposed by main importing countries
New capacity from new plants in Vietnam	Cotton price increased
New material products increasing	



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Open Forum