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

INTERIM RESULTS 2018

August, 2018

Agenda

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

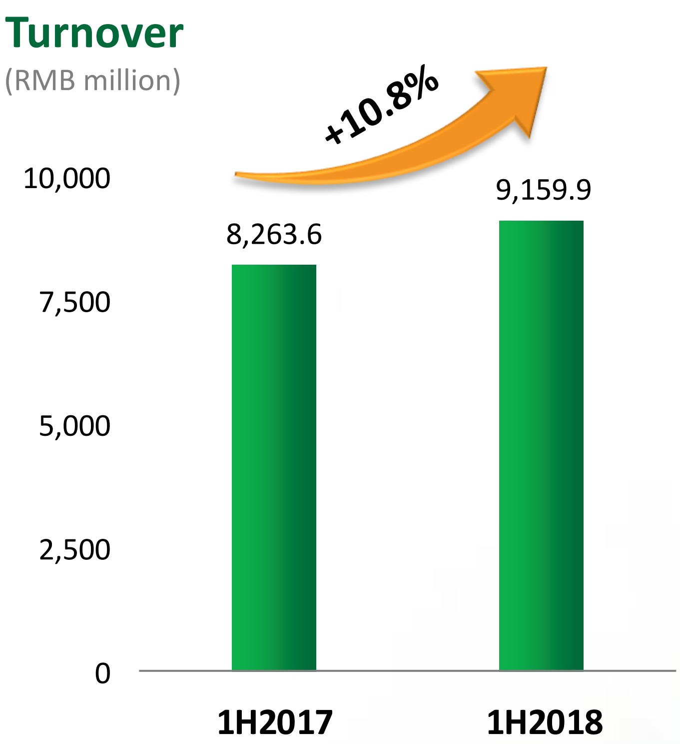
FINANCIAL HIGHLIGHTS

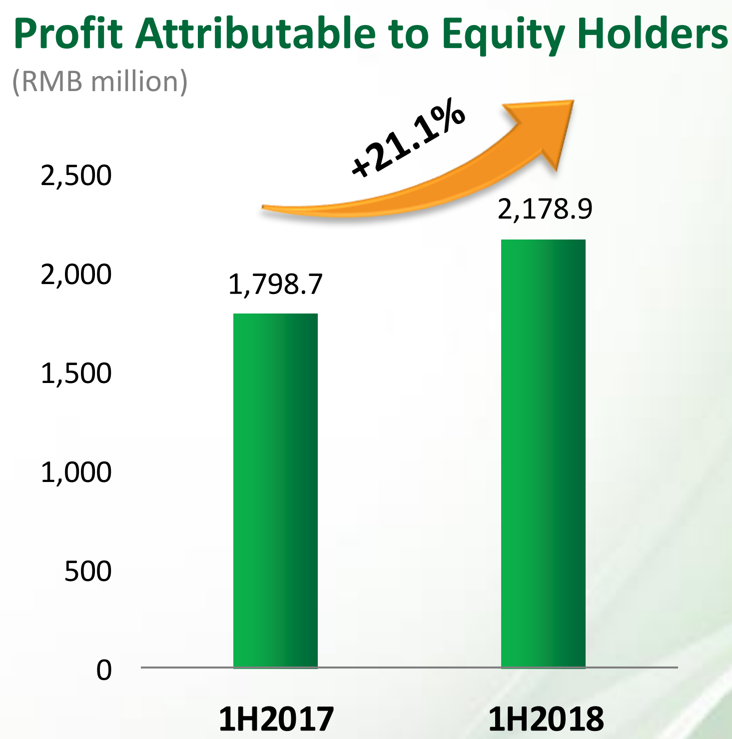
Financial Highlights

For the 6 months ended 30 Jun

(RMB '000)	**2018**	2017	**% Change**
Turnover	**9,159,900**	8,263,585	**+10.8**
Gross profit	**2,956,863**	2,616,343	**+13.0**
Profit attributable to equity holders	**2,178,871**	1,798,664	**+21.1**
Basic EPS (RMB)	**1.45**	1.27	**+14.2**
Interim dividend (HK$)	**0.85**	0.70	**+21.4**

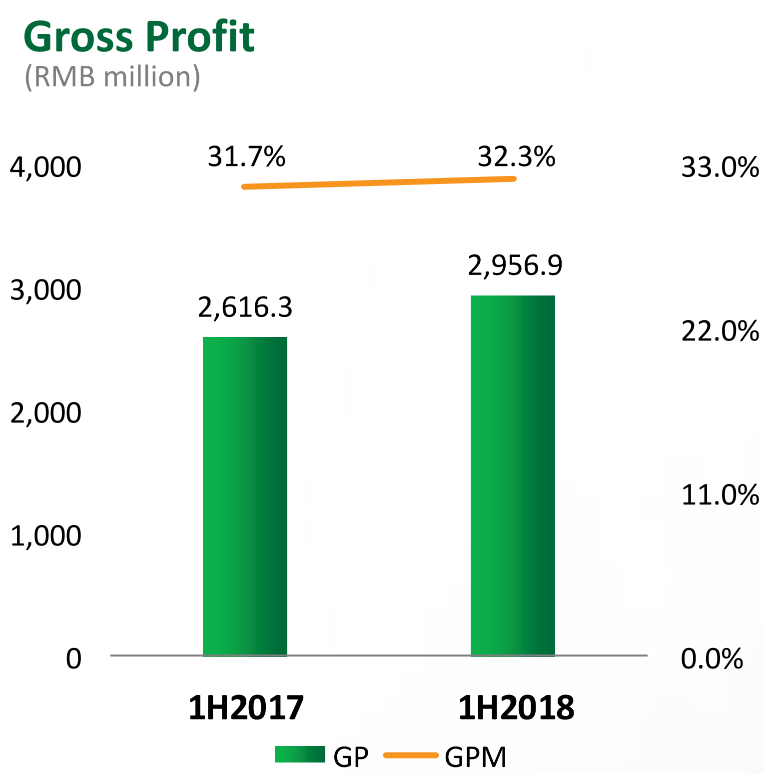
Sales Analysis

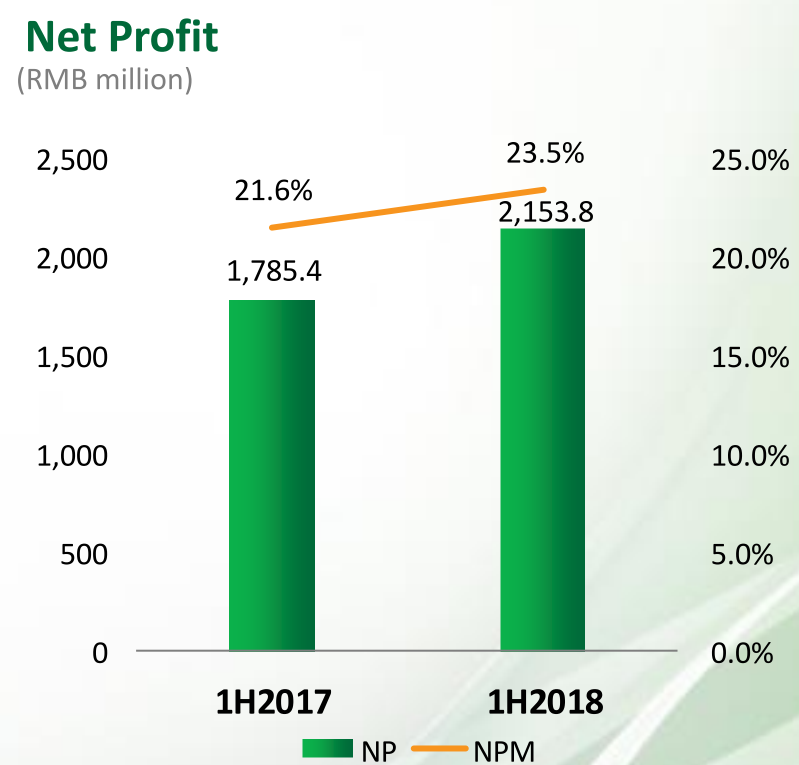




- Maintained satisfactory growth in revenue and achieved decent operating results
  - the Group's increased production capacity due to further expansion in productivity of its overseas production bases
  - The continued increase in production efficiency of each department
  - Sustained stable growth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

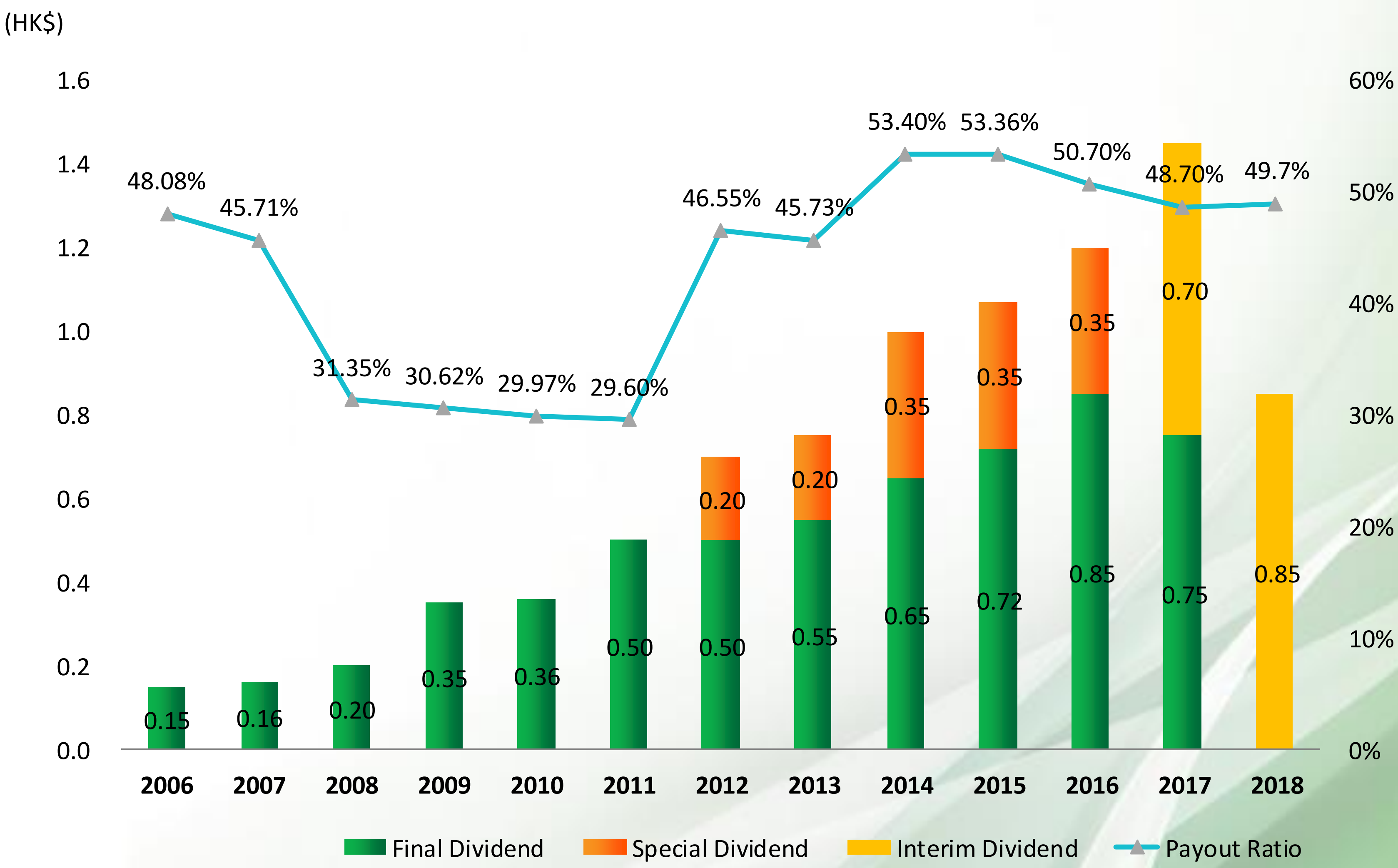
Profit Margins Analysis





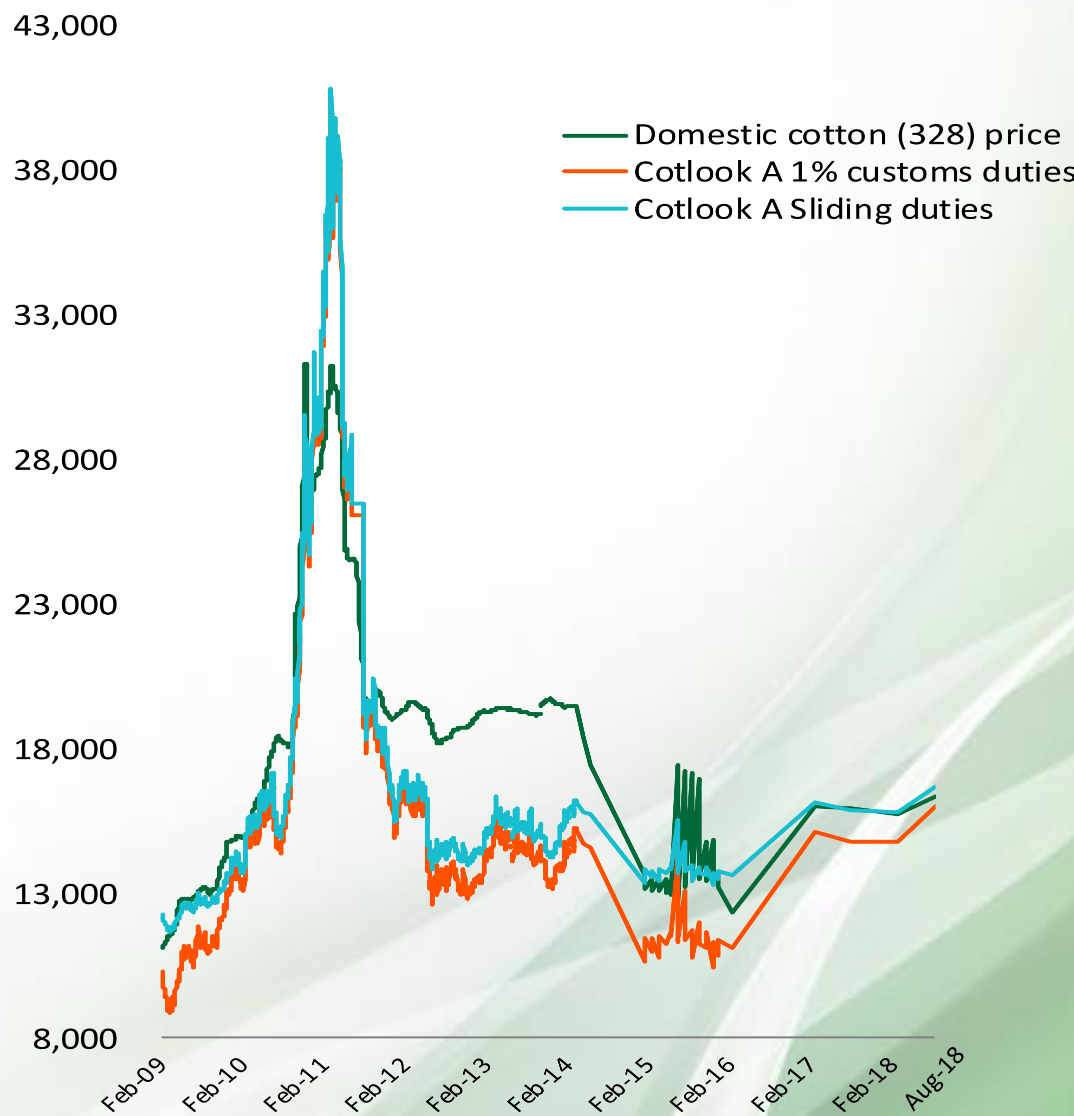
- Overall gross profit margin slightly increased by 0.6p.p. to 32.3%, mainly due to:
  - Scale expansion of its overseas production bases, further reducing the share of fixed costs of the unit product
  - The effective improvement in production efficiency

Dividend and Payout Ratio



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
18-Feb	15,685	14,781	15,762
18-Aug	16,292	15,952	16,638



Turnover Breakdown by Products

- Growth in sportswear sales was mainly attributable to the increase in demand for garment products of international sports brands in the US and mainland China market
- Increase in casual wear sales was driven by growing demand in procurement from mainland China
- Revenue increased by 15.1% in lingerie sales due to increasing purchasing demand from mainland China and Japan market

	1H2018		1H2017		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Product						
Sports wear	6,215,593	67.9	5,518,787	66.8	696,806	+12.6
Casual wear	2,164,359	23.6	2,061,078	24.9	103,281	+5.0
Lingerie	714,412	7.8	620,510	7.5	93,902	+15.1
Other knitting products	65,536	0.7	63,210	0.8	2,326	+3.7
Total	9,159,900	100	8,263,585	100.0	896,315	+10.8

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
- European market remained as the most important oversea market of the Group and recorded a slight decrease in sales, which was primarily attributable to the decline in purchasing demand for sportswear products
- Recorded a slight drop in sales in the Japanese market due to the decrease in order for casual wear undertaken by the Group
- Sales increase in the domestic market was mainly due to the continuous increase in consumption power which drove the rapid growth in demand for order from the Group's customers

	1H2018		1H2017		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
Europe	**1,851,673**	**20.2**	1,930,968	23.4	**(79,295)**	**-4.1**
Japan	**1,428,645**	**15.6**	1,496,797	18.1	**(68,152)**	**-4.6**
United States	**1,284,561**	**14.0**	1,025,146	12.4	**259,415**	**+25.3**
Other countries	**1,977,403**	**21.6**	1,833,661	22.2	**143,742**	**+7.8**
Domestic market	**2,617,618**	**28.6**	1,977,013	23.9	**640,605**	**+32.4**
Total	**9,159,900**	**100**	8,263,585	100.0	**896,315**	**+10.8**

Key Financial Indicators

	2018.06.30	2017.12.31	2017.06.30
Inventory turnover days	**140**	120	129
Debtor turnover days	**55**	55	55
Creditor turnover days	**28**	24	27

	2018.06.30	2017.12.31	2017.06.30
Gross gearing ratio (debt to equity) (%)	**10.6**	10.9	12.1
Current ratio (times)	**3.9**	3.6	3.9
Cash and cash equivalent (RMB million)	**1,643.7**	2,471.4	1,972.6
Net assets (RMB million)	**21,085.6**	19,824.7	18,361.0
Total assets (RMB million)	**25,243.5**	24,093.2	22,353.9

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BUSINESS REVIEW

Major Achievements in 1H2018

Well recognized by equity capital market

NOV 2005
Successfully listed on the Mainboard

MAR 2010
Included in HSCI, HSCCG and HSHKM

JUN 2013
Included in MSCI Index since 2013

SEP 2015
Included in HSSUS Series

2018
Included in HSCEI in March & will become a constituent stock in HSI in Sep

2010
"Top 1000 Asian Companies" from 2010 to 2015

"Best Under A Billion"

2015
2014-2015 **"The largest Capitalization Private Company Award"**

2016
"Enterprise Award" in HKBA 2016

2017
"Best IR Company" in 3rd Investor Relations Awards

Major Achievements in 1H2018

Further expansion on production capacity in overseas production base

- Further enhanced productivity of overseas production base, better satisfying the growth in demand of the Group’s orders from major customers
- Expansion in production scale has resulted in a further reduction in amortization of fixed expense of unit products and higher utilization rate of production elemental resource
- Integrated production model became more mature, more procurement cost for customers can be saved with a shorter delivery period
- Multinational layout of the Group’s production bases has effectively reduced procurement risks for customers

Major Achievements in 1H2018

Continued upgrade and reformation of facilities in China’s fabric factories to achieve environmental effectiveness

- Reformation was conducted by stages and in order as scheduled
- A significant decline in unit consumption of water and electricity
- Improvement on impacts to the environment
- Automatization and informatization for new equipment enable to achieve the target of staff-reduction and performance improvement
- Provide certain room for production capacity expansion through overall reduction in resource consumption and pollutant discharge


Hang Seng Corporate Sustainability Index Series

Certificate of Membership

This is to certify that

Shenzhou International Group Holdings Ltd.

is a constituent company of the Hang Seng Corporate Sustainability Index Series

September 2017

恒生指數
HANG SENG INDEXES

Hang Seng Corporate Sustainability Index Series

Award from WWF


This certificate is presented to

Shenzhou International Group Holdings Ltd - Ningbo Shenzhou Knitting Co Ltd
申洲國際集團控股有限公司 - 寧波申洲針織有限公司

2018.05.31

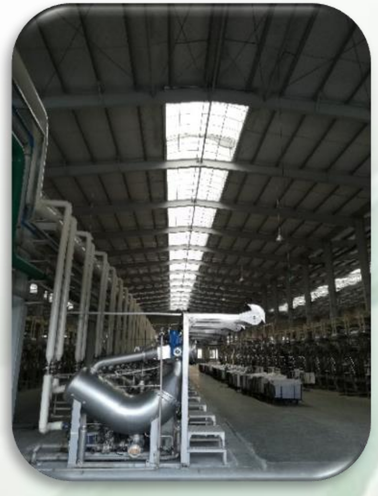
Corporate Environmental Leadership Awards

HKQAA CSR

Major Achievements in 1H2018

Reinforcing lean production management to mitigate rising labour costs

- Through utilizing automatic equipment and the deepening of precise production and management, effectively alleviating the operation pressure from the rising labour costs
- Decrease in total number of staff in PRC production base, but resulting an increase in production volume
- Number of staff in Vietnam factories almost reached the expected scale, with a significant increase in production efficiency
- Recorded a decrease of 2p.p. of the Group's total staff cost as a percentage of the income



Major Achievements in 1H2018

Highly recognized by suppliers

- Continued to grant numerous awards from domestic and international brands in recognition of the outstanding performance of the Group

Major Achievements in 1H2018

Actively promoted investor relations and achieved significant performance

Plant visit

Best IR by CFO (Large Cap) by HKIRA-IR Awards

Results – investor presentation

- Successfully established a close and interactive relationship with investors and effective long-term communication system to enhance the Group’s transparency
- Awarded several investor relations awards 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 67.9% of total revenue, in which the proportion of new fabric products rose further. Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 58.4% (20171H: 58.8%) of the Group's total turnover

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STRATEGIES & PLANS

Future Strategies

- Further expand overseas production capacity scale
- Apply more automated equipment & refine lean production management capabilities
- Continue to upgrade environmental protection facilities
- Continue to strengthen efforts in recruiting and training of talents
- Improve innovation mechanism for R&D

Future Strategies

The Group Holds a Optimistic View on 2018 Prospects

POSITIVE

- Automation and technological advancement
- Improved operation efficiency
- New capacity from Vietnam plants
- Depreciation of RMB against USD

NEGATIVE

- International trade tension
- Cotton price hike
- Increasing costs
- Stricter environmental policies

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OPEN FORUM