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

Stock Code 股份編號 : 2313

2014

INTERIM REPORT
中期報告

Agenda

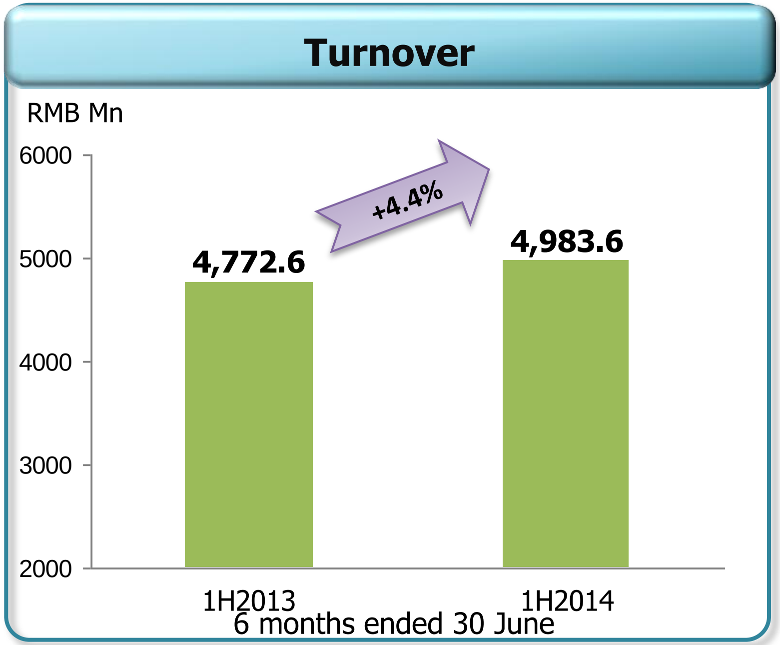
- Financial Highlights
- Business Review
- Strategies and Plans
- Open Forum

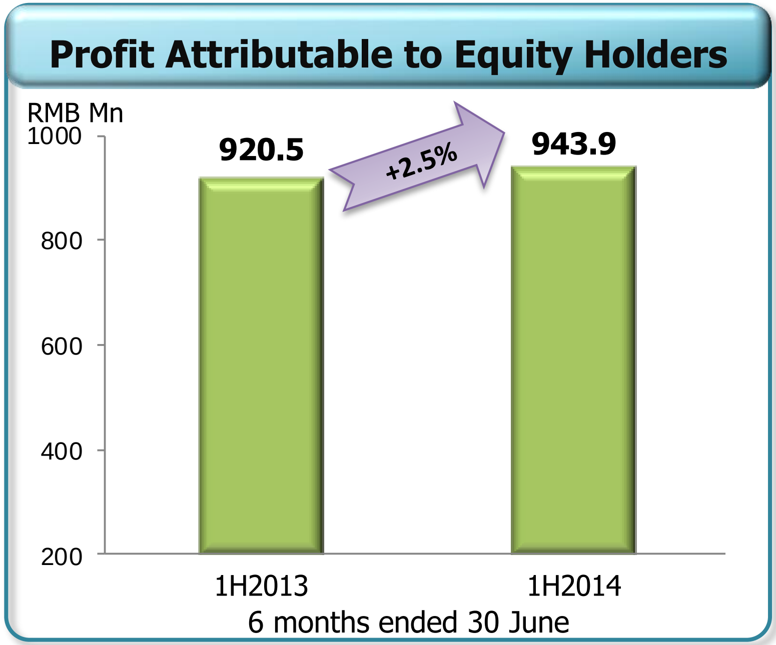
- Financial Highlights

Financial Highlights

	6 months ended 30 June		
(RMB '000)	***2014***	*2013*	*Change*
Turnover	**4,983,637**	4,772,638	4.4%
Gross profit	**1,402,484**	1,375,023	2.0%
Profit attributable to equity holders	**943,900**	920,461	+2.5%
Basic EPS (RMB)	**0.67**	0.69	-2.9%

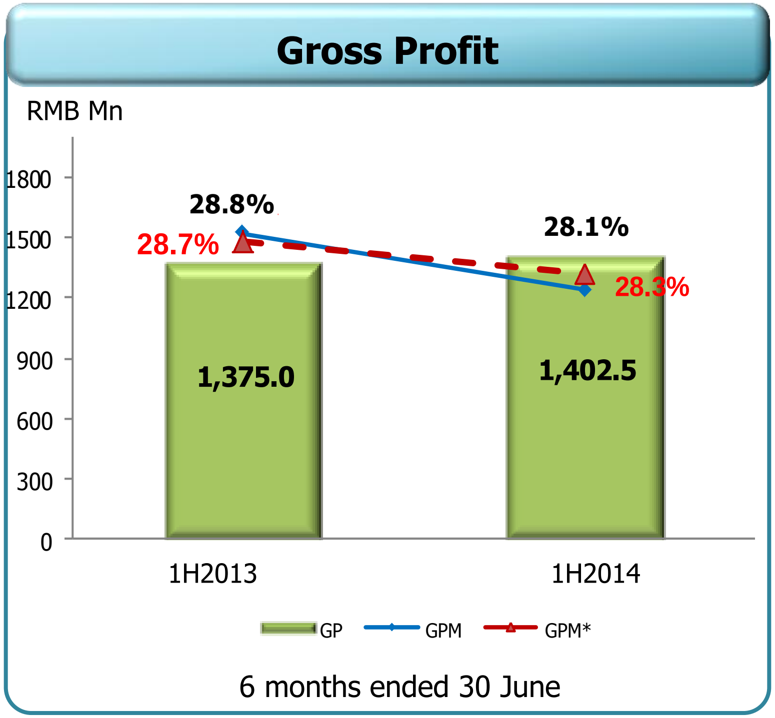
Sales Analysis

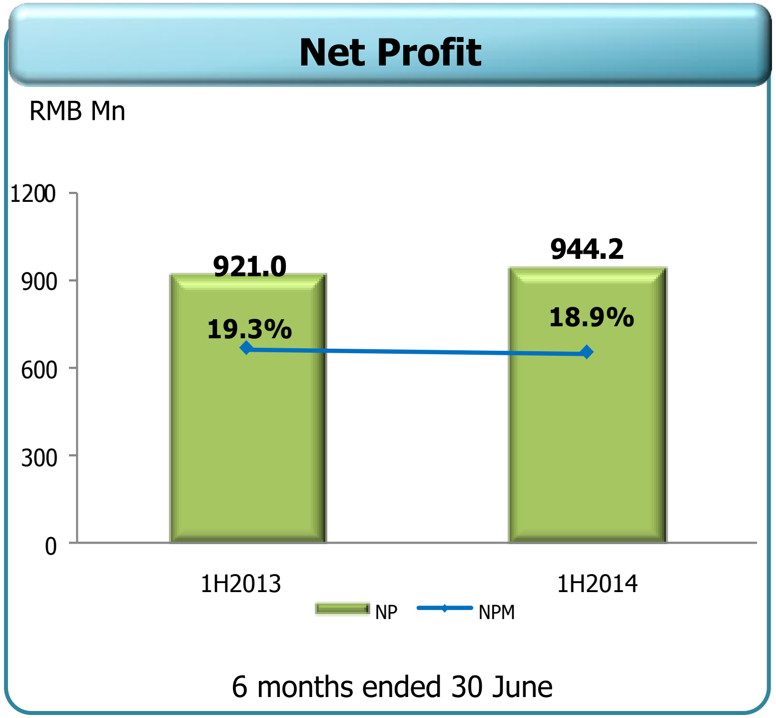




- **Modest sales growth amid complicated operating environment:**
  - a satisfactory increase in sportswear products, but offset by a drop in sales of casual wear products in the Japanese market
  - there was no substantial additional capacity of the Group during the period
  - the impact of efficiency improvement of domestic employees was affected by staff turnover

Profit Margins Analysis



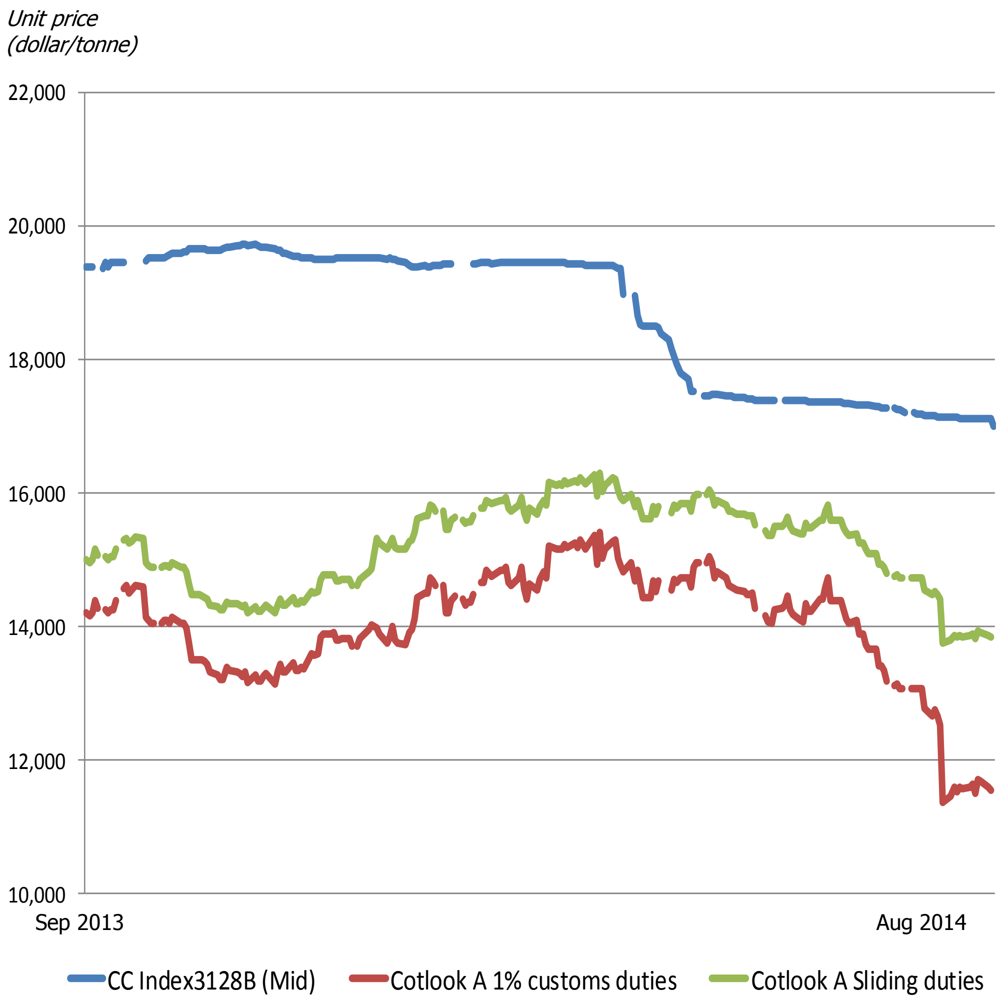


**Excluding the loss from forward currency contract hedges*

- **Overall gross profit margin decreased slightly by 0.7 p.p., mainly due to rapid surge in labor costs**
- **Gross profit increased 2.0% y-o-y**
- **Net profit increased by 2.5% to RMB944.2 million**

Domestic and International Cotton Prices

	CC Index3128B (Mid)	Cotlook A 1% customs duties	Cotlook A sliding duties
Sep-13	19,400	14,212	15,010
Oct-13	19,523	14,046	14,880
Nov-13	19,680	13,194	14,238
Dec-13	19,536	13,396	14,386
Jan-14	19,512	14,006	15,332
Feb-14	19,443	14,482	15,657
Mar-14	19,457	15,159	16,121
Apr-14	18,472	14,687	15,792
May-14	17,425	14,526	15,689
Jun-14	17,380	14,337	15,556
Aug-14	17,115	11,564	13,849



Turnover Breakdown by Products

- Notable growth in sportswear sales mainly came from international brands, and the revenue from sale of domestic sportswear brands for the period also rose.
- The decrease in casual wear was mainly due to:
  - 1) the decrease in purchase demand from the Japanese clients
  - 2) the redeployment of limited capacity to the increasing sportswear demand
- Mild sales increase in lingerie products attributable to the demand from Japanese clients

	6 months ended 30 June					
	2014		*2013*		***yoy change***	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sports wear	**3,117,439**	62.6	2,713,800	56.9	403,639	14.9
Casual wear	**1,112,038**	22.3	1,294,820	27.1	(182,782)	(14.1)
Lingerie	**672,704**	13.5	667,438	14.0	5,266	0.8
Other knitting products	**81,456**	1.6	96,580	2.0	(15,124)	(15.7)
Total	**4,983,637**	100.0	4,772,638	100.0	210,999	4.4

Turnover Breakdown by Regions

- The decrease in sales from Japanese market mainly due to the increased domestic consumption tax rate in Japan, in which it had adversely affected Japanese clients' garment consumption demand
- Sales in European market increased due to the increase in garment consumption demand brought by economic recovery
- The growth of sales from the US market was mainly attributable to sportswear products
- Revenue from the domestic market increased 22.8%, mainly due to the purchase for sales of international brands in the PRC region

6 months ended 30 June

	2014		*2013*		***yoy change***	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Japan	**1,406,301**	28.2	1,604,101	33.6	(197,800)	(12.3)
Europe	**875,797**	17.6	812,359	17.0	63,438	7.8
United States	**460,239**	9.2	388,000	8.1	72,239	18.6
Other countries	**1,095,868**	22.0	1,035,428	21.8	60,440	5.8
Domestic market	**1,145,432**	23.0	932,750	19.5	212,682	22.8
Total	**4,983,637**	100.0	4,772,638	100.0	210,999	4.4

Key Financial Indicators

	2014.06.30	2013.12.31	2013.06.30
Inventory turnover days	**125**	110	112
Debtor turnover days	**55**	50	54
Creditor turnover days	**23**	20	23

	2014.06.30	2013.12.31	2013.06.30
Gross gearing ratio (debt to equity) (%) *	**26.8**	N/A	9.6
Current ratio	**9.0**	7.1	3.9
Cash and Cash Equivalent (RMB million)	**4,546.2**	2,609.1	2,747.8
Net assets (RMB million)	**10,661.2**	10,331.7	9,473.7
Total assets (RMB million)	**14,636.4**	11,317.3	11,336.3

* Including Bank Loan and CB Debt Portion

Business Review

Major Achievements in 1H2014

A new round of construction of production bases overseas:

- The construction of the Phase I factory with administrative offices is at its final stage. It is expected that Phase I capacity will be put into production by the end of 2014.
- Despite of the incident of attacking foreign enterprises occurred in May, the Group has not changed its plan to invest in Vietnam
- The Group is also preparing to construct its garment factory in Vietnam
- A wholly-owned subsidiary of the Group was granted the "Ningbo City Mayor Quality Award"
- A major wholly-owned subsidiary was qualified as a High-New Technology Enterprise

Phase I factory in Vietnam

Phase I factory in Vietnam

Optimization of Product Structure

Sports wear customers

Casual wear customers

- Three renowned sports wear customers, ADIDAS, NIKE and PUMA, accounted for 54.5% (1H2013: 50.3%) of Group's total turnover

Retail Business Update

- Prudent control over store expansion
- Directly managed 29 stores in cities within the Yangtze River Delta region
- Open 11 new stores in the second half in 2014

Strategies & Plans

Future Strategies

- Improve the Group's core competences through further transformation and upgrade

Expanding the scale of its overseas production bases, building and optimizing the vertically integrated production model overseas

Improving the production efficiency and refining management standard

Keeping its eyes on appropriate other overseas investment regions

Further solidify the leading position in the industry

Cooperation with Avery Dennison

- The Group has entered into a joint venture with Avery Dennison, to provide customers with embellishment transfer printing, printing and knitting label, graphic labels and hangtags and sustainable packaging services.
  - Promoting the innovation in heat transfer printing
  - Strengthening the competitiveness of the Group

Open Forum