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

Stock Code 股份編號 : 2313

INTERIM RESULTS 2021

August 2021

Agenda

01 Financial Highlights

02 Business Review

03 Strategies & Plans

04 Open Forum

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01 FINANCIAL HIGHLIGHTS

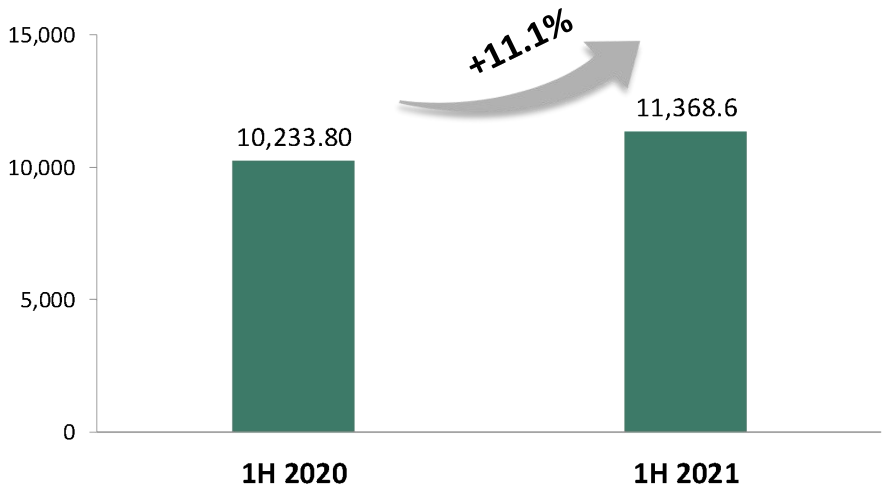
Financial Highlights

	For the 6 months ended 30 Jun		
(RMB '000)	**2021**	2020	**Change**
Sales	**11,368,606**	10,233,778	**11.1%**
Gross profit	**3,372,167**	3,158,594	**6.8%**
Profit attributable to owners of the parent	**2,226,278**	2,512,399	**(11.4%)**
Basic EPS (RMB)	**1.48**	1.67	**(11.4%)**
Interim dividend per share (HK$)	**1.06**	0.90	**17.8%**

Sales Analysis

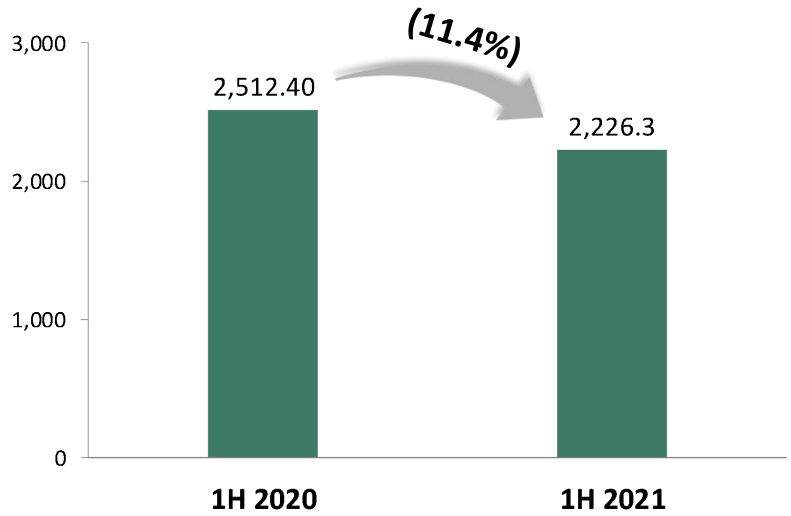
Sales

(RMB million)



Profit Attributable to Equity Holders

(RMB million)

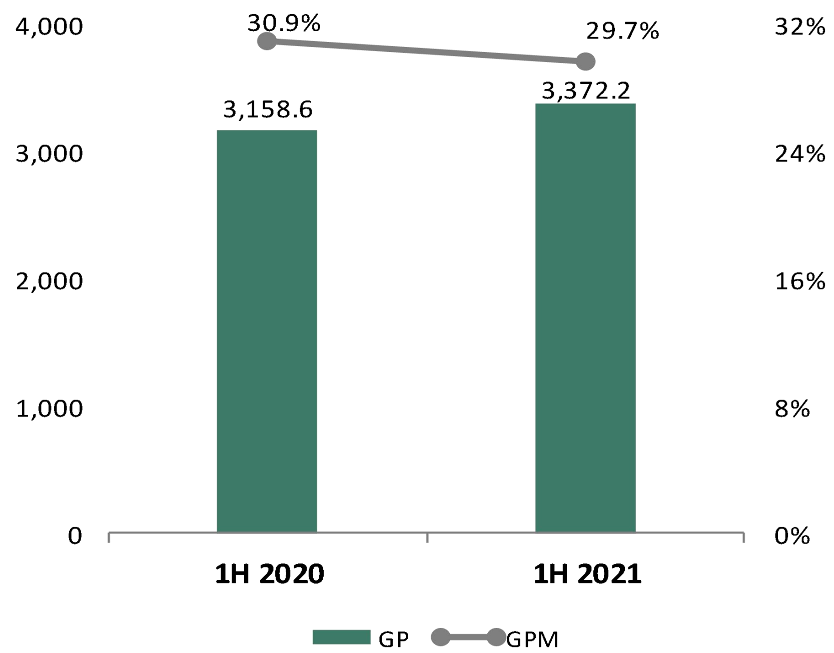


- Recorded a stable increase in revenue
  - The decrease in the impact of the COVID-19 pandemic on global consumption demand, which led to a higher growth in the order demand for the Group
  - Expansion of the Group's capacity and the significantly higher capacity utilization rate
- Achieved a record high profit

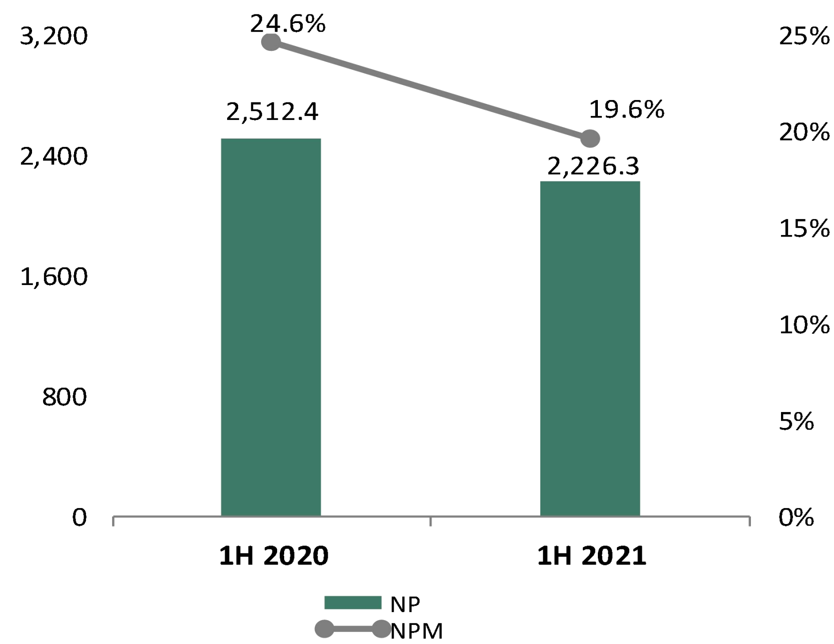
- Mainly attributable to the substantial decrease in other income as a result of a decrease in incentives from the government, as well as an increase in exchange loss

Profit Margin Analysis

Gross Profit
(RMB million)



Net Profit Attributable to Equity Holders
(RMB million)



- Overall gross profit margin slightly decreased by 1.2p.p. to 29.7%, mainly due to:
  - the average exchange rate of Renminbi against US dollar during the period increased by approximately 8.2% as compared with the corresponding period last year
  - Production plant in Cambodia was suspended for approximately one month due to the COVID-19 pandemic

Net Profit Analysis

For the 6 months ended 30 Jun

(RMB '000)	2021	2020	Change
Net Profit to Equity Holders	2,226,278	2,512,399	-11.4%
Less: Government Incentives	155,256	294,943	-47.4%
: Net Exchange Gain/ (Loss)	(60,168)	88,053	-168.3%
Net Profit Excluding Government Incentives & Exchange Gain & Loss*	2,131,190	2,129,403	+0.1%

Remark:* Net Profit Excluding Government Incentives and Exchange Gain & Loss Calculation has not adjusted the tax impact. For reference only.

Operating Expenses Analysis

For the 6 months ended 30 Jun

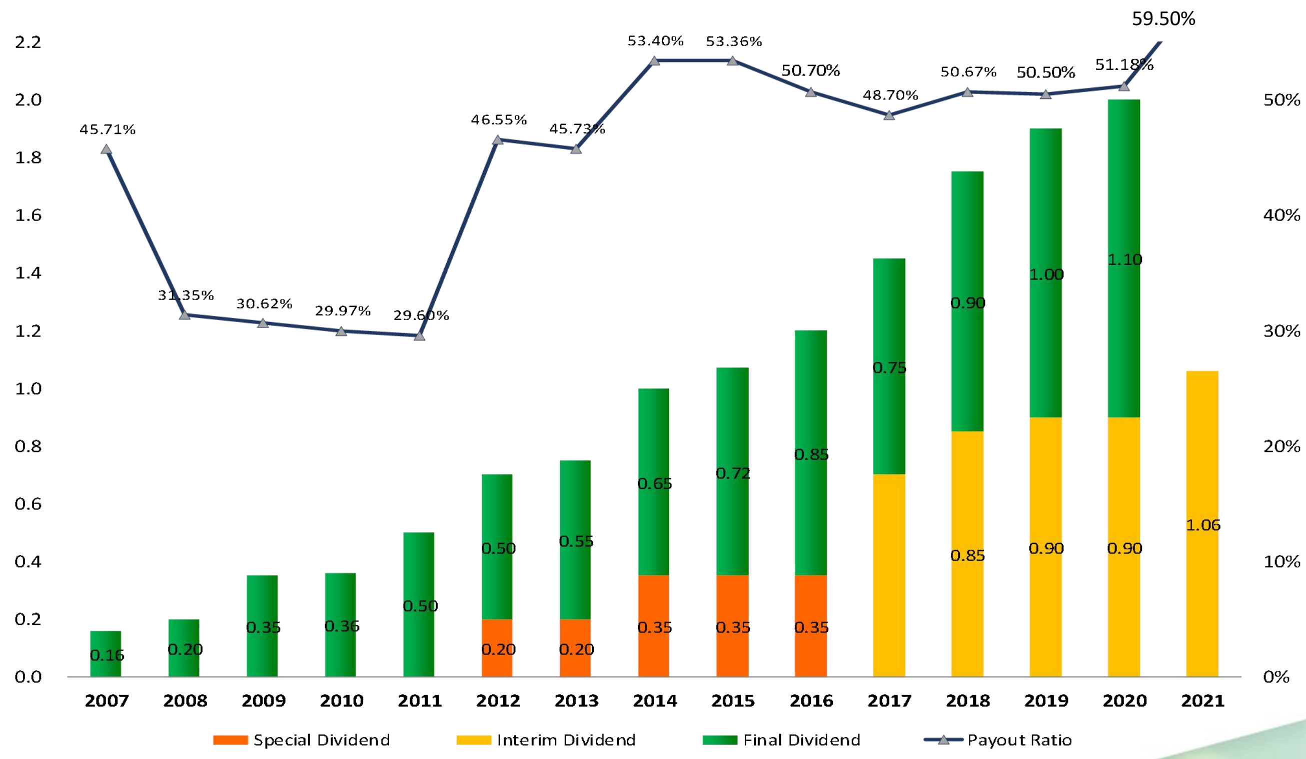
(RMB '000)	2021	2020	Change
Selling & distribution expenses	73,926	75,575	-2.2%
Administrative expenses	953,356	817,070	+16.7%
Finance cost	51,501	62,861	-18.1%
	1,078,783	955,506	+12.9%
% to Revenue	9.49%	9.34%	+0.15p.p

Expenses Analysis by Nature

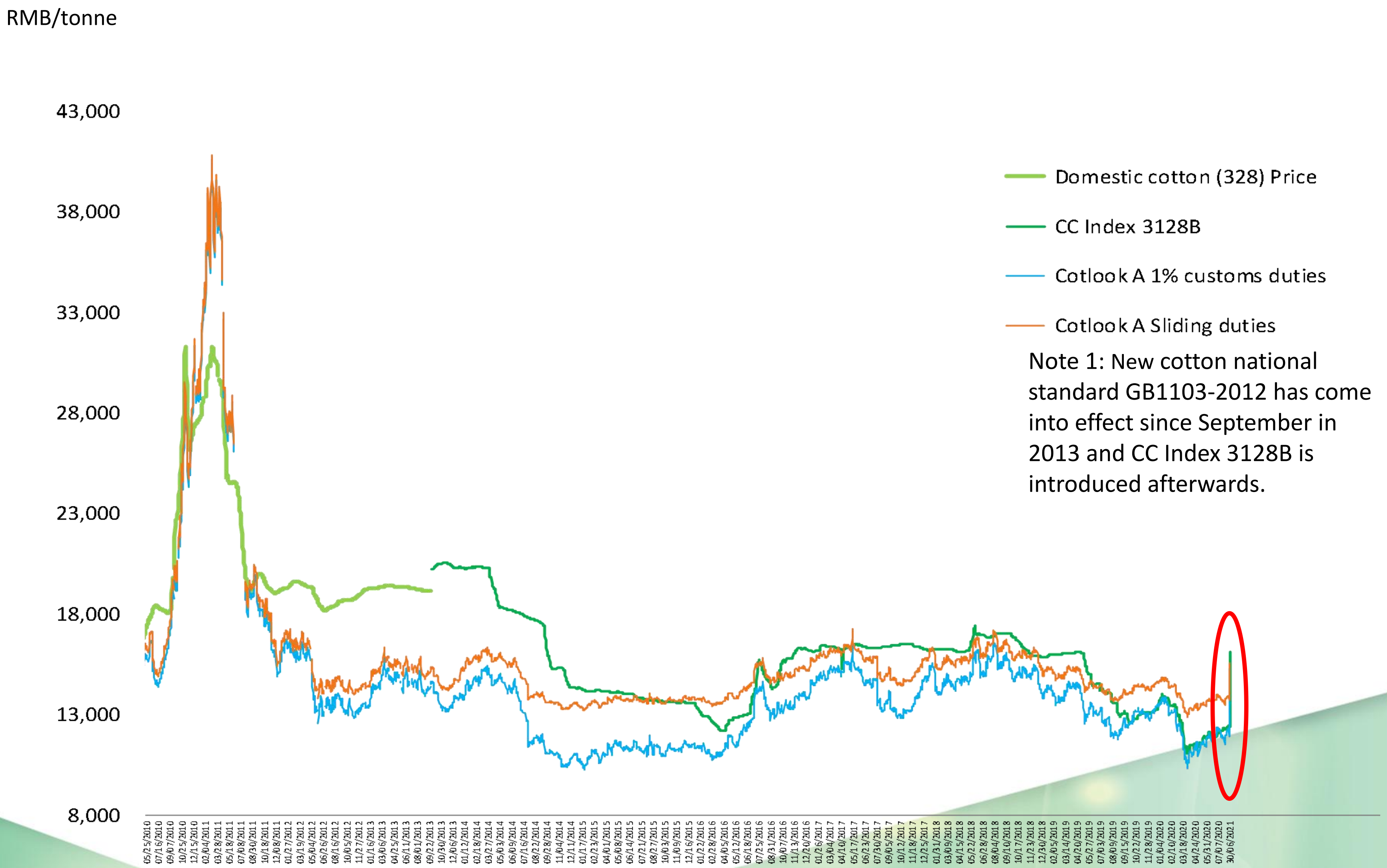
(RMB '000)	2021	2020	Change
	For the 6 months ended 30 Jun		
Employee benefit expenses:			
Wages and salaries	3,225,207	2,624,270	+22.9%
Retirement benefit contributions	308,910	175,816	+75.7%
Other benefits	146,672	115,171	+27.4%
Total	3,680,789	2,915,257	+26.3%
Depreciation, amortisation and impairment expenses	567,818	512,425	+10.8%
Raw materials and consumables utilized	5,182,282	3,672,310	+41.1%
Utilities expenses	476,373	361,873	+31.6%

Dividend and Payout Ratio

(HK$)



Domestic and International Cotton Prices



Turnover Breakdown by Products

- Revenue from sales of sportswear increased mainly attributable to the increase in sportswear products demand in both the US and European markets
- Increase in casual wear sales was driven by the growing demand in the PRC market
- Revenue up by 25.6% in lingerie wear due to the procurement demand growth in Japanese market

	1H2021		1H2020		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Product						
Sports wear	8,069,966	71.0	7,513,222	73.4	556,744	7.4
Casual wear	2,206,456	19.4	1,918,005	18.7	288,451	15.0
Lingerie	782,426	6.9	622,912	6.1	159,514	25.6
Other knitting products	309,758	2.7	179,639	1.8	130,119	72.4
Total	11,368,606	100.0	10,233,778	100.0	1,134,828	11.1

Turnover Breakdown by Regions

- Recorded a stable growth in revenue in the Japanese market mainly due to an increase in demand of lingerie wear and casual wear
- Both US and European market recorded increase in sales, which were primarily attributable to the increase in demands for sportswear
- Satisfactory sales increase in the domestic market was mainly due to the growing demand in the clothing consumption

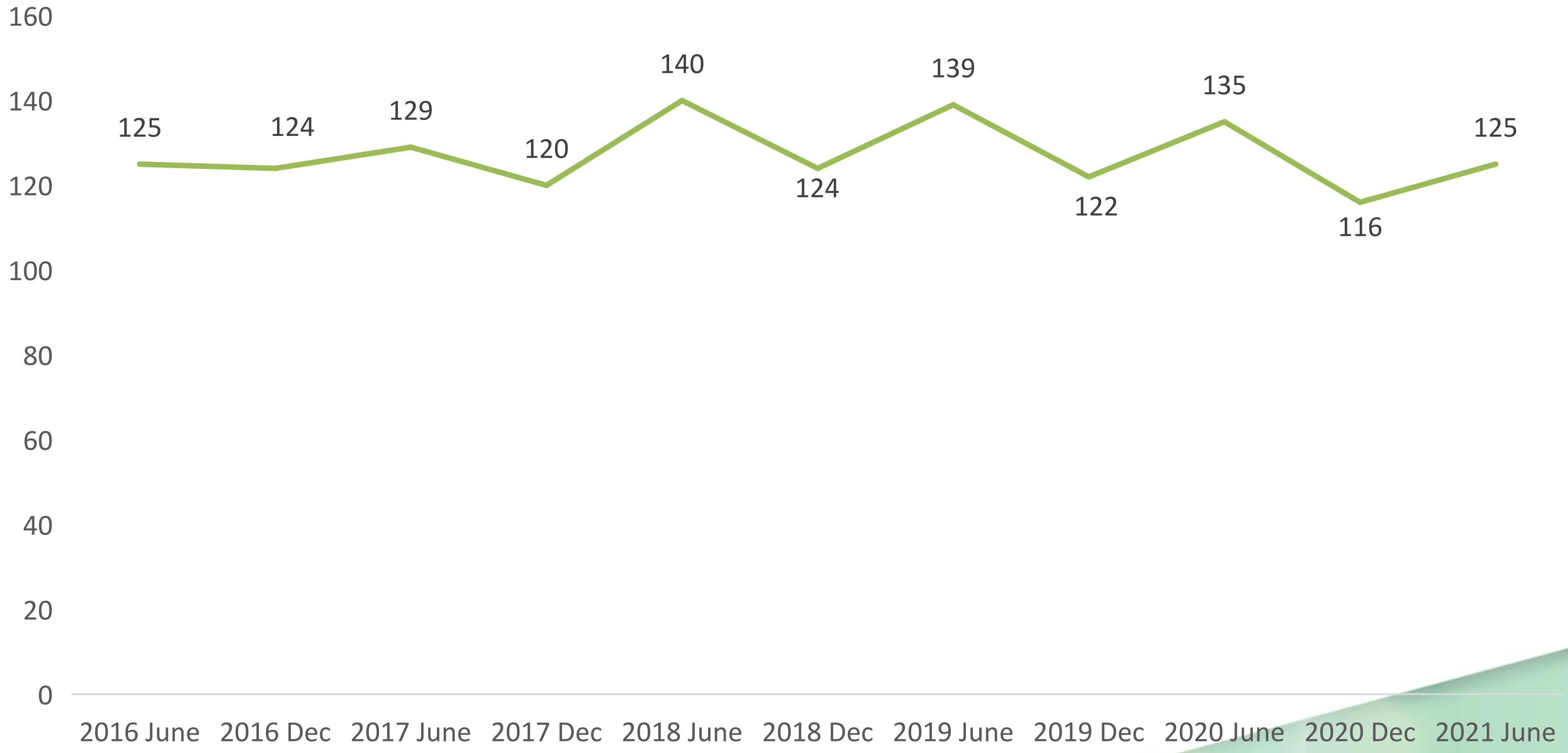
	1H2021		1H2020		**Change**	
	RMB'000	%	RMB'000	%	**RMB'000**	**%**
By Region						
Japan	**2,011,868**	**17.7**	1,953,441	19.1	**58,427**	**3.0**
Europe	**2,141,998**	**18.8**	1,917,557	18.7	**224,441**	**11.7**
United States	**1,759,824**	**15.5**	1,451,164	14.2	**308,660**	**21.3**
Others	**2,151,883**	**18.9**	2,042,943	20.0	**108,940**	**5.3**
Domestic market	**3,303,033**	**29.1**	2,868,673	28.0	**434,360**	**15.1**
Total	**11,368,606**	**100.0**	10,233,778	100.0	**1,134,828**	**11.1**

Key Financial Indicators

	2021.06.30	2020.12.31	2020.06.30
Inventory turnover days	**125**	116	135
Debtor turnover days	**62**	62	63
Creditor turnover days	**25**	22	21

	2021.06.30	2020.12.31	2020.06.30
Gross gearing ratio (debt to equity) (%)	**28.0**	24.2	25.6
Current ratio (times)	**2.5**	2.7	3.0
Cash and cash equivalent (RMB million)	**10,294.7**	8,227.1	5,978.2
Net assets (RMB million)	**28,049.9**	27,270.8	26,415.4
Total assets (RMB million)	**38,712.5**	36,851.8	35,384.2

Inventories Turnover Days Analysis



Inventory

(RMB'000)	30-Jun-21	31-Dec-20	%	30-Jun-20	%
Raw materials	1,290,540	1,194,287	+8.1	1,103,283	+17.0
Work in progress	2,750,546	2,217,369	+24.0	2,140,050	+28.5
Finished goods	2,296,400	1,499,560	+53.1	2,059,420	+11.5
	6,337,486	4,911,216	+29.0	5,302,753	+19.5
Provision	(109,312)	(99,782)	+9.6	(101,489)	+7.7
	6,228,174	4,811,434	29.4	5,201,264	19.7

Treasury Management

(RMB'000)	**30 Jun 2021**	30 Jun 2020	**Change**
Bank Interest Income	**104,304**	162,329	**-58,025**
Other Interest Income/ Fair Value Gain	**21,159**	27,193	**-6,034**
	125,463	189,522	**-64,059**
Less: Bank Interest Expenses	**48,670**	59,978	**-11,308**
Other Interest Expenses on lease liabilities	**2,831**	2,883	**-52**
	51,501	62,861	**-11,360**
Net Interest Income	**73,962**	126,661	**-52,699**

Treasury Management

(RMB'000)	30 Jun 2021	31 Dec 2020	Change
Cash & Cash Equivalents	10,294,661	8,227,060	+2,067,601
Less: Bank Loan	(7,847,228)	(6,608,303)	+1,238,925
Net (Debts)/ Cash	2,447,433	1,618,757	+828,676
Long Time Deposits (+1 year)	1,810,000	1,410,000	+400,000
Bank Deposit (+3 months)	3,088,442	2,961,676	+126,766
Financial Assets	306,083	2,425,932	(2,119,849)
	5,204,525	6,797,608	(1,593,083)
	7,651,958	8,416,365	(764,407)

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02 BUSINESS REVIEW

Major Achievements in 1H202Q

Implemented a series of measure in overseas production facilities

- Garment plants in Cambodia suspended production due to the severe pandemic from April to May, affecting the growth of garment production to a certain extent
- Arranged vaccination for most of its employees which effectively protected the health of local employees and created favourable conditions to resume production
- Strived to ensure the stability of employees' income and their safety against the pandemic and provided new dormitories to local employees in need
- Civil works of the new garment plants in Cambodia and Vietnam have been preliminarily completed, which will benefit the next step of capacity expansion

Major Achievements in 1H2021 (Con't)

Production capacities expansion and facilities upgrade in PRC

- Plants in PRC increased the number of new employees, and the per capita output was further improved
- Output of garment increased by approximately 30% as compared with the corresponding period last year
- Introduced incentive policies to encourage nonlocal employees to stay in the local community for celebrating the Chinese New Year and get back to work earlier
- The increase in output of domestic bases effectively alleviated the capacity burden of overseas plants caused by the pandemic

Major Achievements in 1H2021 (Con't)

Highly recognized suppliers

Nike

Committed to ESG achievement

Actively promote excellence in the IR

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 71.0% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 83.8% (1H2020: 83.5%) of the Group’s total turnover

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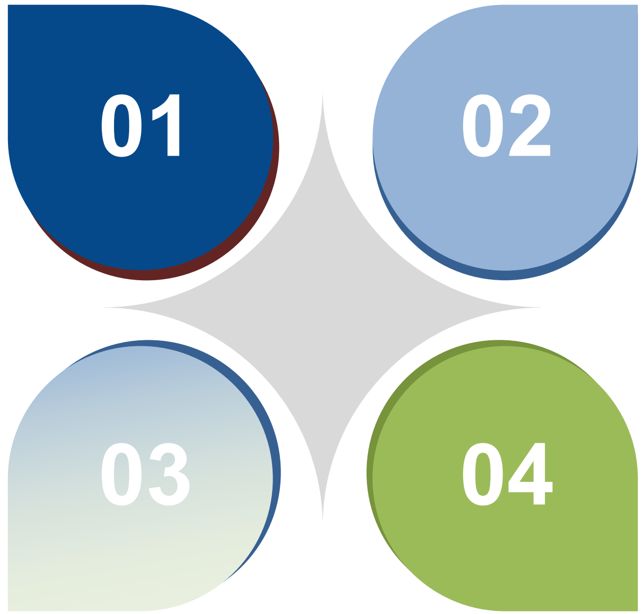
03 STRATEGIES & PLANS

Future Strategies

Optimize the coordination between the supply chain's upstream and downstream processes

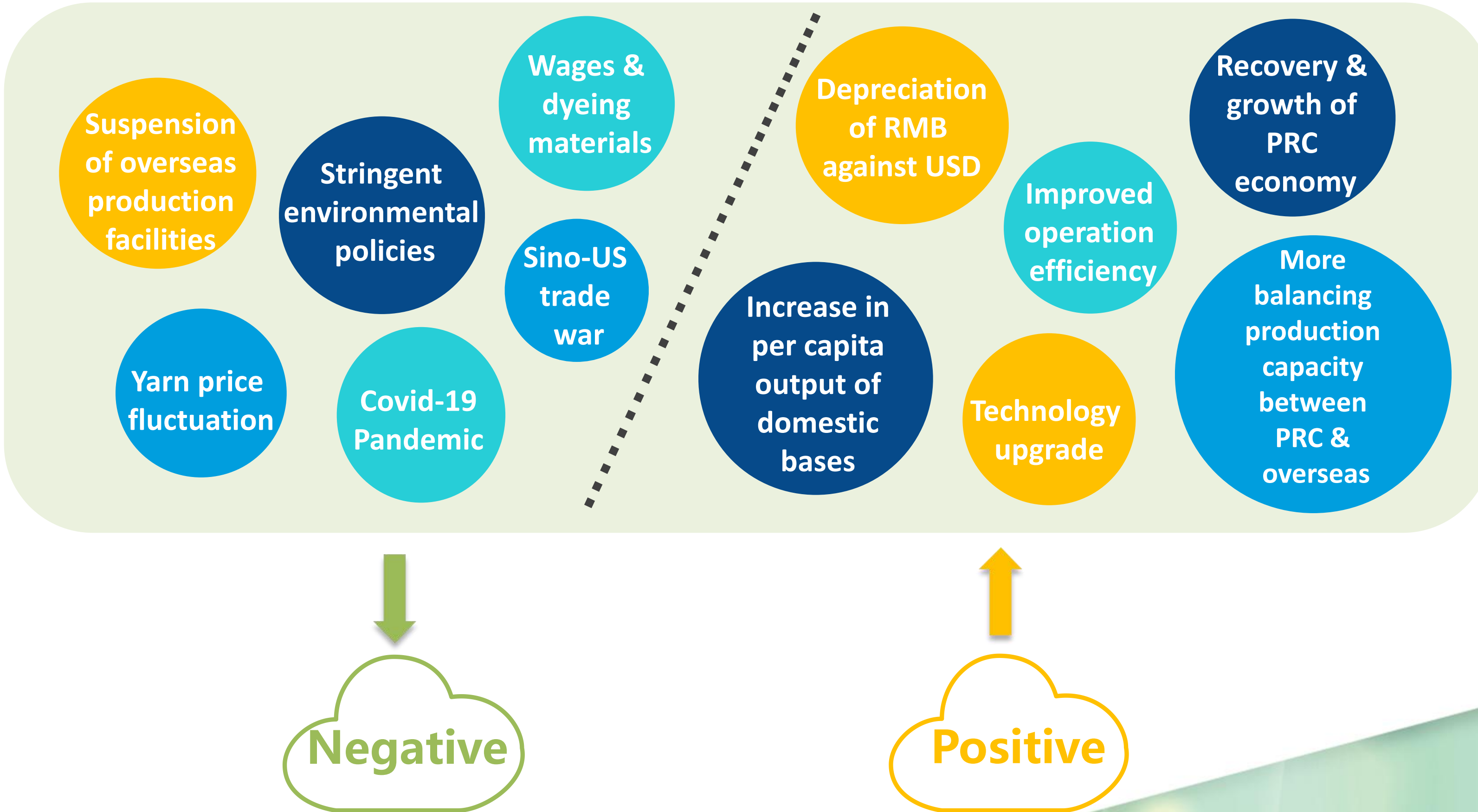
Upgrade the level of production automation and management digitalization



Expand the variety of new products & strengthen its service capabilities for existing customers

Strengthen its prevention control on the pandemic and maintain a stable work force

Future Strategies (Con't)



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04 OPEN FORUM