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 2020

August 2020

Agenda

SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED
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FINANCIAL HIGHLIGHTS

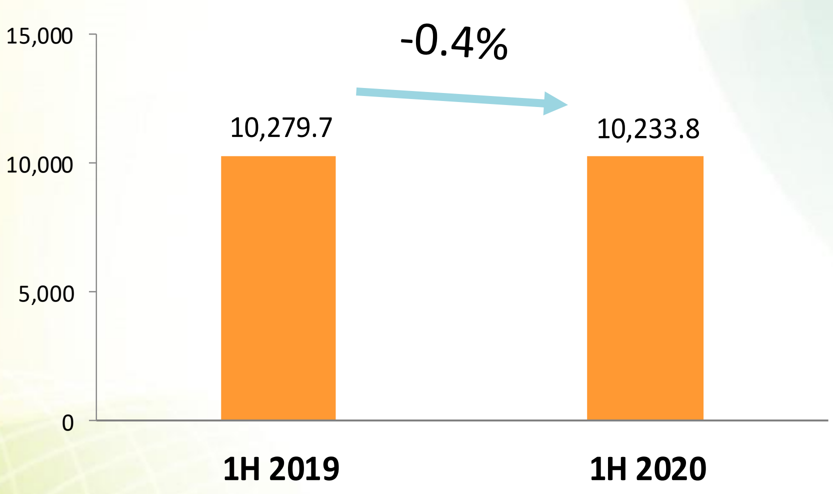
Financial Highlights

For the 6 months ended 30 Jun

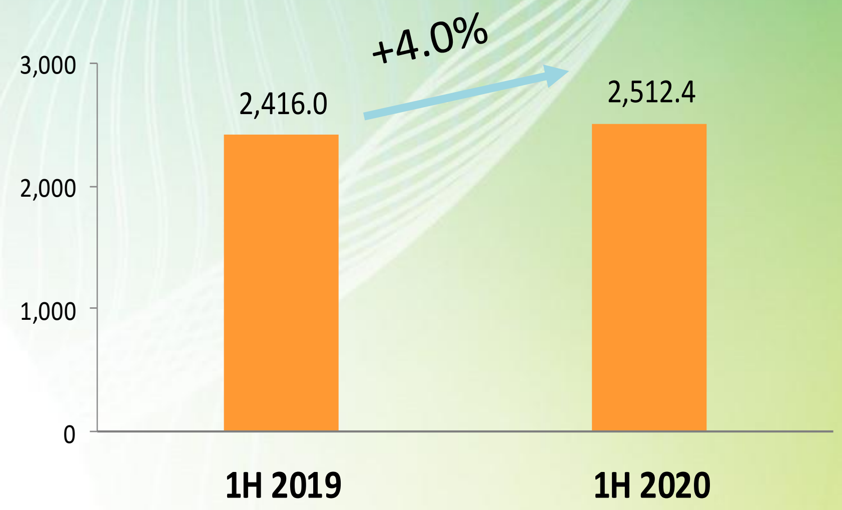
(RMB '000)	2020	2019	% Change
Turnover	**10,233,778**	10,279,693	**(0.4)**
Gross profit	**3,158,594**	3,174,879	**(0.5)**
Profit attributable to equity holders	**2,512,399**	2,416,027	**+4.0**
Basic EPS (RMB)	**1.67**	1.61	**+3.7**
Interim dividend(HK$)	0.90	0.90	**--**

Sales Analysis

Turnover
(RMB million)

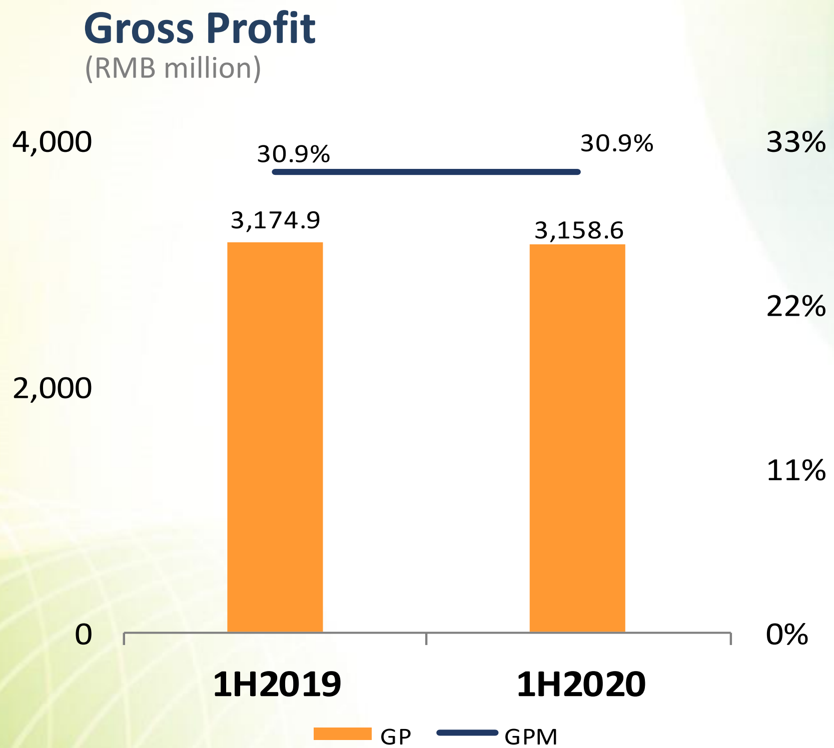


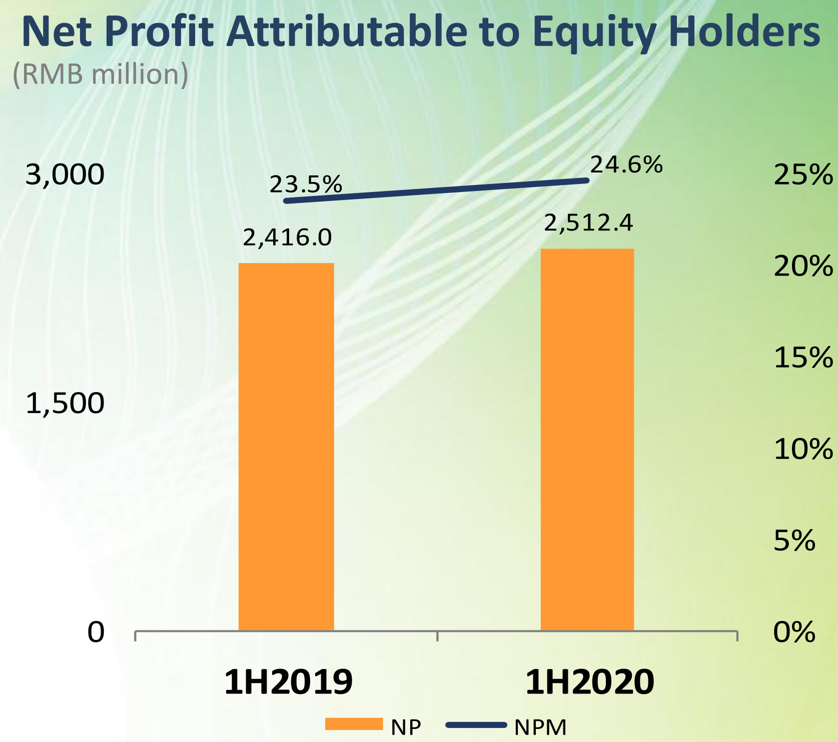
Profit Attributable to Equity Holders
(RMB million)



- Recorded a slightly decrease in revenue
  - Decrease in consumers' outing activities and the failure of consumers' offline stores to operate normally due to COVID-19 Pandemic
  - Withdrawal from retail business
- Achieved a record high profit
- Excluding the impacts caused by the withdrawal of retail business, revenue from the Group's manufacturing business and net profit to shareholders increased by 2.3% and 1.5% respectively

Profit Margins Analysis





- Overall gross profit margin maintained stable at 30.9%, mainly due to:
- Excluding the impact of retail business, gross profit margin was 30.9%, slightly decreased by 0.6p.p. from 31.5%, mainly due to:
  - Increase in the proportion of depreciation and amortization in total cost due to lower than expected capacity utilization rate
  - Payment of additional allowances during the epidemic
- Net profit margin to shareholder up by 1.1p.p. from 23.5% to 24.6%

Expenses Analysis

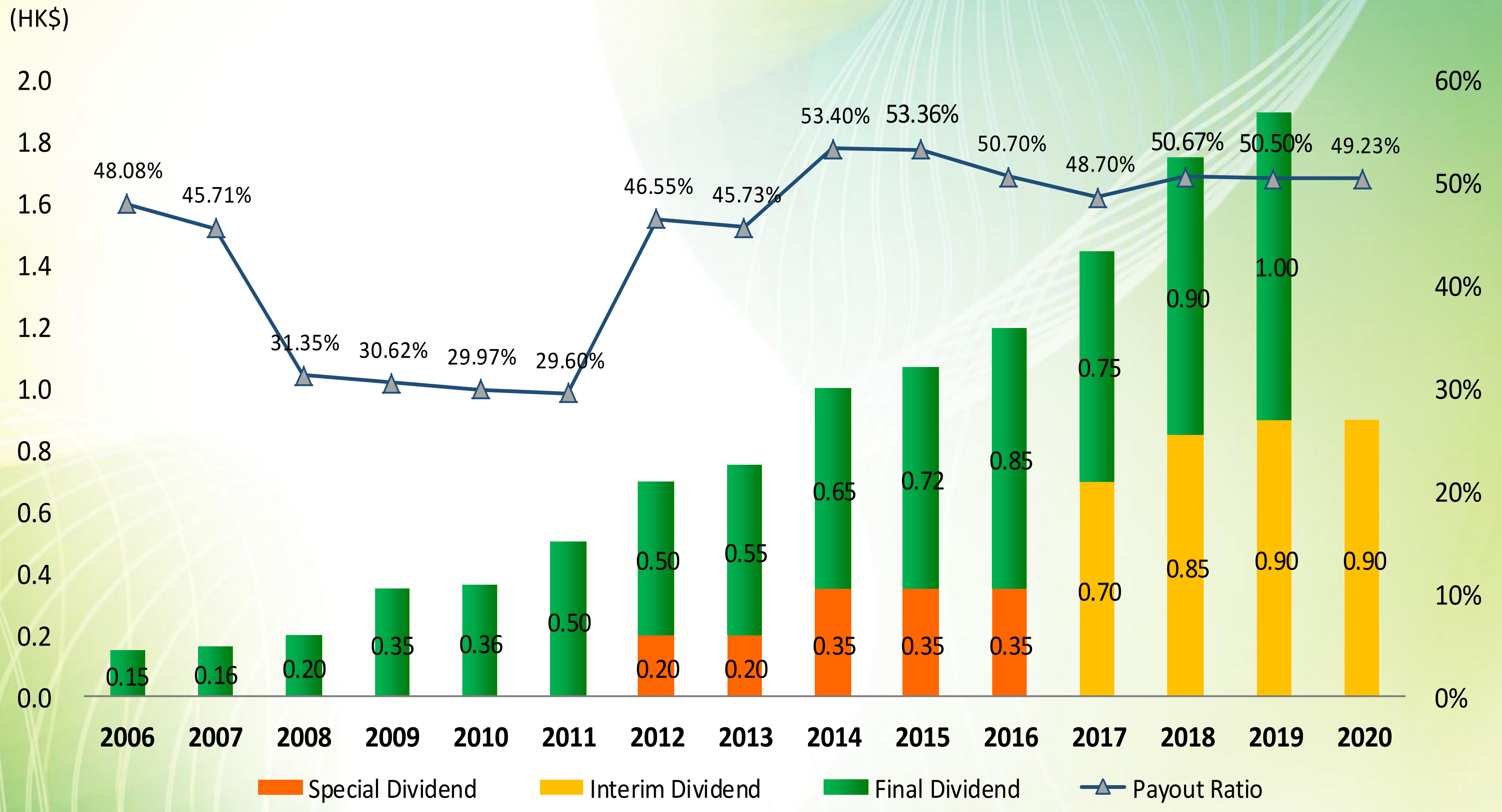
(RMB '000)	For the 6 months ended 30 Jun		
	2020	2019	**% Change**
Employee benefit expenses:			
Wages and salaries	**2,624,270**	2,666,497	**(1.6)**
Retirement benefit contributions	**175,816**	237,779	**(26.1)**
Other benefits	**115,171**	85,346	**+35.0**
Total	**2,915,257**	**2,989,622**	**(2.5)**
Depreciation, amortisation and impairment expenses	**512,425**	511,971	**+0.1**
Raw materials and consumables utilized	**3,672,310**	4,257,283	**(13.7)**
Utilities expenses	**361,873**	425,185	**(14.9)**

Net Profit Analysis

For the 6 months ended 30 Jun

(RMB '000)	2020	2019	% Change
Net profit to equity holders	**2,512,399**	2,416,027	**+4.0**
Retail business loss *(Sharing 51%)*	**23,859**	82,944	**(71.2)**
Net Profit (adjusted)	**2,536,258**	2,498,971	**+1.5**

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 sportswear in the European market
- Increase in lingerie sales was driven by the recovery of procurement demand in the Japanese market
- Revenue decreased by 19.2% in casual wear due to a decrease in sales to the US and other markets and the withdraw of its retail business

	1H2020		1H2019		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
By Product						
Sports wear	**7,513,222**	**73.4**	7,369,014	71.7	**144,208**	**2.0**
Casual wear	**1,918,005**	**18.7**	2,373,614	23.1	**(455,609)**	**(19.2)**
Lingerie	**622,912**	**6.1**	458,900	4.5	**164,012**	**35.7**
Other knitting products	**179,639**	**1.8**	78,165	0.7	**101,474**	**129.8**
Total	**10,233,778**	**100.0**	10,279,693	100.0	**(45,915)**	**(0.4)**

Turnover Breakdown by Regions

- Recorded a growing rate in revenue in the Japanese market mainly due to the increasing demands for lingerie and sportswear
- Maintained stable growth in the European market due to the increasing procurement demands for sportswear
- US market recorded a slight decrease in sales, which was primarily attributable to the decreasing order demands for casual wear
- Sale decrease in the domestic market was mainly due to the withdrawal of its retail business and the decline in revenue from sportswear products

	1H2020		1H2019		**Change**	
	RMB'000	**%**	RMB'000	%	**RMB'000**	**%**
Japan	**1,953,441**	**19.1**	1,551,343	15.1	**402,098**	**25.9**
Europe	**1,917,557**	**18.7**	1,744,244	17.0	**173,313**	**9.9**
United States	**1,451,164**	**14.2**	1,532,246	14.9	**(81,082)**	**(5.3)**
Other countries	**2,042,943**	**20.0**	2,228,693	21.7	**(185,750)**	**(8.3)**
Domestic market	**2,868,673**	**28.0**	3,223,167	31.3	**(354,494)**	**(11.0)**
Total	**10,233,778**	**100.0**	10,279,693	100.0	**(45,915)**	**(0.4)**

Key Financial Indicators

	2020.06.30	2019.12.31	2019.06.30
Inventory turnover days	135	122	139
Debtor turnover days	63	58	58
Creditor turnover days	21	20	23

	2020.06.30	2019.12.30	2019.06.30
Gross gearing ratio (debt to equity) (%)	25.6	15.8	10.6
Current ratio (times)	3.0	3.7	4.3
Cash and cash equivalent (RMB million)	5,978.2	5,060.9	3,938.5
Net assets (RMB million)	26,415.4	25,191.3	23,630.2
Total assets (RMB million)	35,384.2	31,854.8	28,294.9

Inventories Turnover Days Analysis

Inventory

(RMB'000)	**30 June 2020**	**31 December 2019**	**30 June 2019**
Raw materials	**1,103,283**	1,070,080	1,001,209
Work in progress	**2,140,050**	2,233,058	2,298,571
Finished goods	**2,059,420**	2,081,715	2,492,429
	5,302,753	5,384,853	5,792,209
Provision	**(101,489)**	(102,448)	(131,470)
	5,201,264	5,282,405	5,660,739

Treasury Management

RMB'000)

	2020 June	2019 Dec	Movement
Bank Interest Income	**162,329**	112,479	**+49,850**
Other Interest Income/ Fair Value Gain	**27,193**	29,581	**(2,388)**
	189,522	**142,060**	**+47,462**
Less: Bank Interest Expenses	**59,978**	32,214	**(27,764)**
Net Interest Income	**129,544**	**109,846**	**19,698**
Interest Rate for Interest Income*	**3.67%**		
Interest Rate for Interest Expenses*	**2.48%**		

Treasury Management

For the 6 months ended 30 Jun (RMB'000)

	2020	2019	**Movement**
Cash & Cash Equivalents	**5,978,246**	5,060,896	**+917,350**
Less: Bank Loan	**(6,757,763)**	(3,968,578)	**(2,789,185)**
Net (Debts)/ Cash	**(779,517)**	**1,092,318**	**(1,871,835)**
Long Time Deposits	**991,590**	100,000	**891,590**
Bank Deposit	**4,818,265**	4,710,830	**107,435**
Financial Assets	**2,284,652**	1,253,233	**1,031,419**
	8,094,507	**6,064,063**	**2,030,444**
	7,314,990	**7,156,381**	**158,609**

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BUSINESS REVIEW

Epidemic Prevention Measures for COVID-19

Implemented a series of epidemic prevention measures

- Ensure the stability of employees and care about their interests
- Achieved rapid resumption of work and production
  - Increase the number of charted buses to bring employees back from all over the country
  - Produced self-made masks
  - Provided additional allowances
- Normal paid to employees under quarantine or from Hubei who failed to return to work
- Build new employee dormitories in phases in Ningbo

Major Achievements in 1H2020

Continued to expand production capacities and productivity of overseas production base

- Expansion of overseas factories proceeded as planned
- Completed phase 1 construction of new garment factory in Phnom Pehn and expected to commence production in Q3
- Continued to increase number of employees in new garment factory in Vietnam
- Further enhanced the production capacity of Vietnam fabric base
- Overseas factories maintained normal production operations, ensuring the basis production capacity of the Group

Major Achievements in 1H2020

Highly recognized by suppliers

Adidas award

Committed to ESG Achievement

Green Finance Certification Scheme By HKQAA

Actively promote excellence in the investor relations

IR Magazine Award Greater China 2019
Certificate for Excellence in IR

2019 Listed Company Awards of Excellence by HKEJ

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 73.4% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 83.5% (1H2019: 81.4%) of the Group’s total turnover

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STRATEGIES & PLANS

Future Strategies

Future Strategies

Positive

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

Negative

- × COVID-19 Pandemic
- × Sino-US trade war
- × Increasing costs
- × Wages & Dyeing Materials
- × Stringent environmental policies
- × Retail Business Closing Down

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OPEN FORUM