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 2022

August 2022

Agenda

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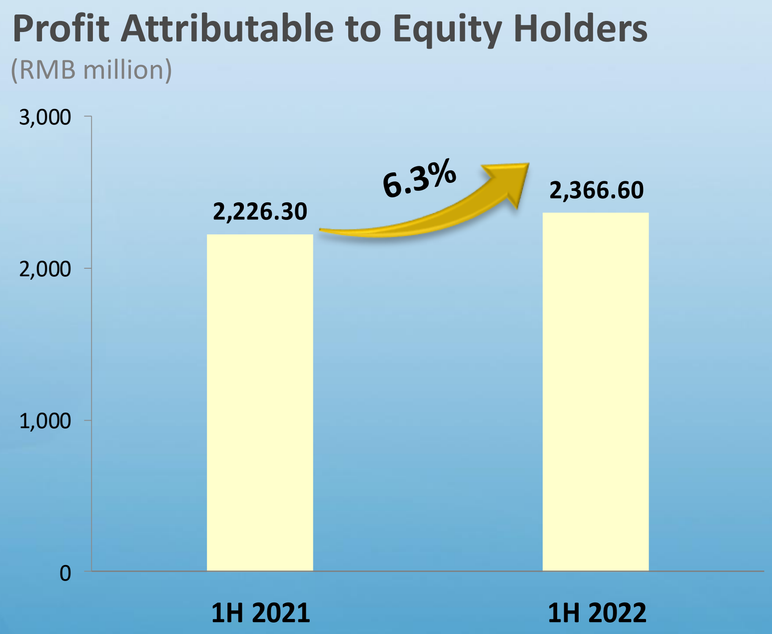
01 Financial Highlights

Financial Highlights

For the 6 months ended 30 Jun

(RMB '000)	2022	2021	Change
Sales	**13,592,789**	11,368,606	**+19.6%**
Gross profit	**3,065,607**	3,372,167	**-9.1%**
Profit attributable to owners of the parent	**2,366,616**	2,226,278	**+6.3%**
Basic EPS (RMB)	**1.57**	1.48	**+6.1%**
Interim dividend per share (HK$)	**1.06**	1.06	**--**

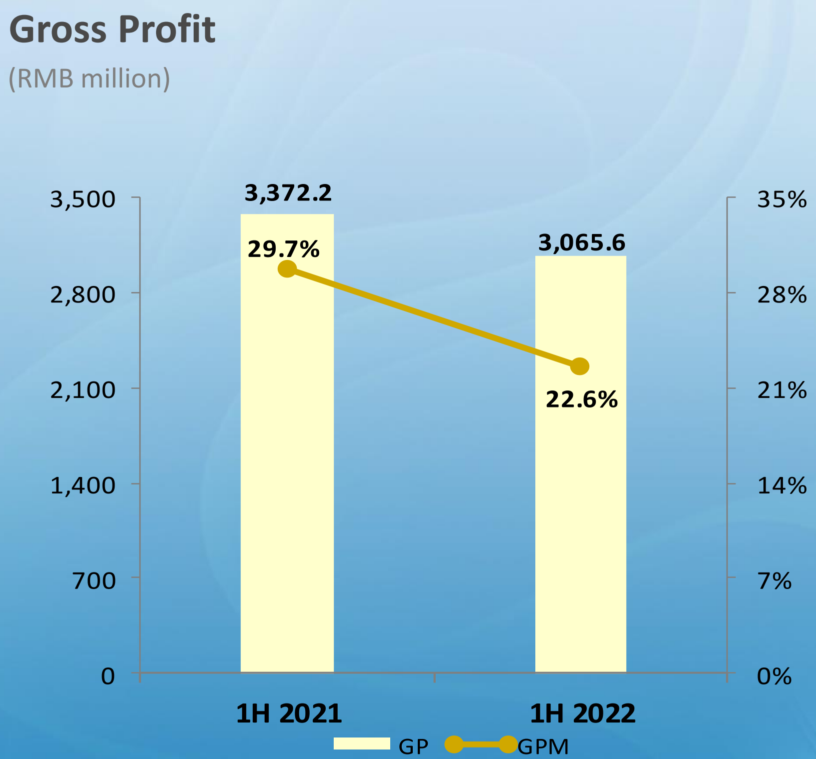
Sales Analysis

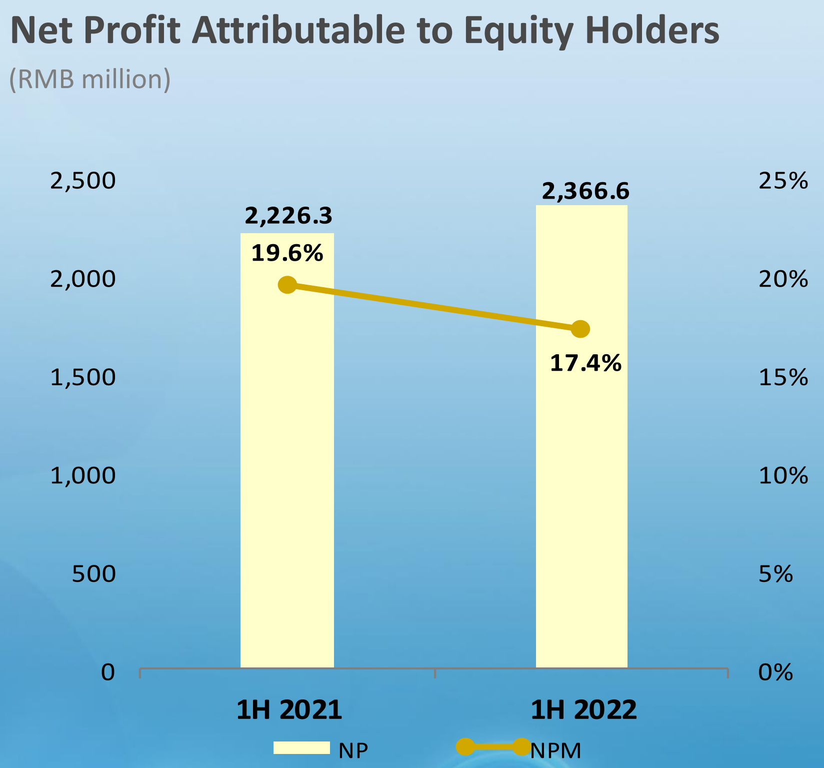


- Recorded a stable increase in revenue
  - Further expansion of the Group's capacity and the growth in customers' demand
  - The rise in raw material prices and energy cost, causing the increase in unit price for sales as compared with the corresponding period of last year

- Mainly attributable to the other income and exchange gain increase

Profit Margin Analysis





- Overall gross profit margin decreased by 7.1p.p. to 22.6%, mainly due to:
  - Significant increase in raw materials and energy costs, and the adjustment in selling prices is incapable of offsetting the adverse effect brought by the increase in costs
  - Temporarily suspension of production in Ningbo production base in January 2022 due to the impact of the COVID-19 pandemic

Operating Expenses Analysis

For the 6 months ended 30 Jun

(RMB '000)	2022	2021	Change
Selling & distribution expenses	**124,736**	73,926	**+68.7%**
Administrative expenses	**1,002,415**	953,356	**+5.1%**
Finance cost	**103,557**	51,501	**+101.1%**
	1,230,708	1,078,783	**+14.1%**
% to Revenue	**9.05%**	9.49%	**-0.44p.p**

Net Profit Analysis

For the 6 months ended 30 Jun

(RMB '000)	2022	2021	Change
Net Profit to Equity Holders	**2,366,616**	2,226,278	**+6.3%**
Less: Government Incentives	**162,598**	155,256	**+4.7%**
: Net Exchange Gain/ (Loss)	**617,230**	(60,168)	**+1,126%**
Net Profit Excluding Government Incentives & Exchange Gain & Loss*	**1,586,788**	2,131,190	**-25.5%**

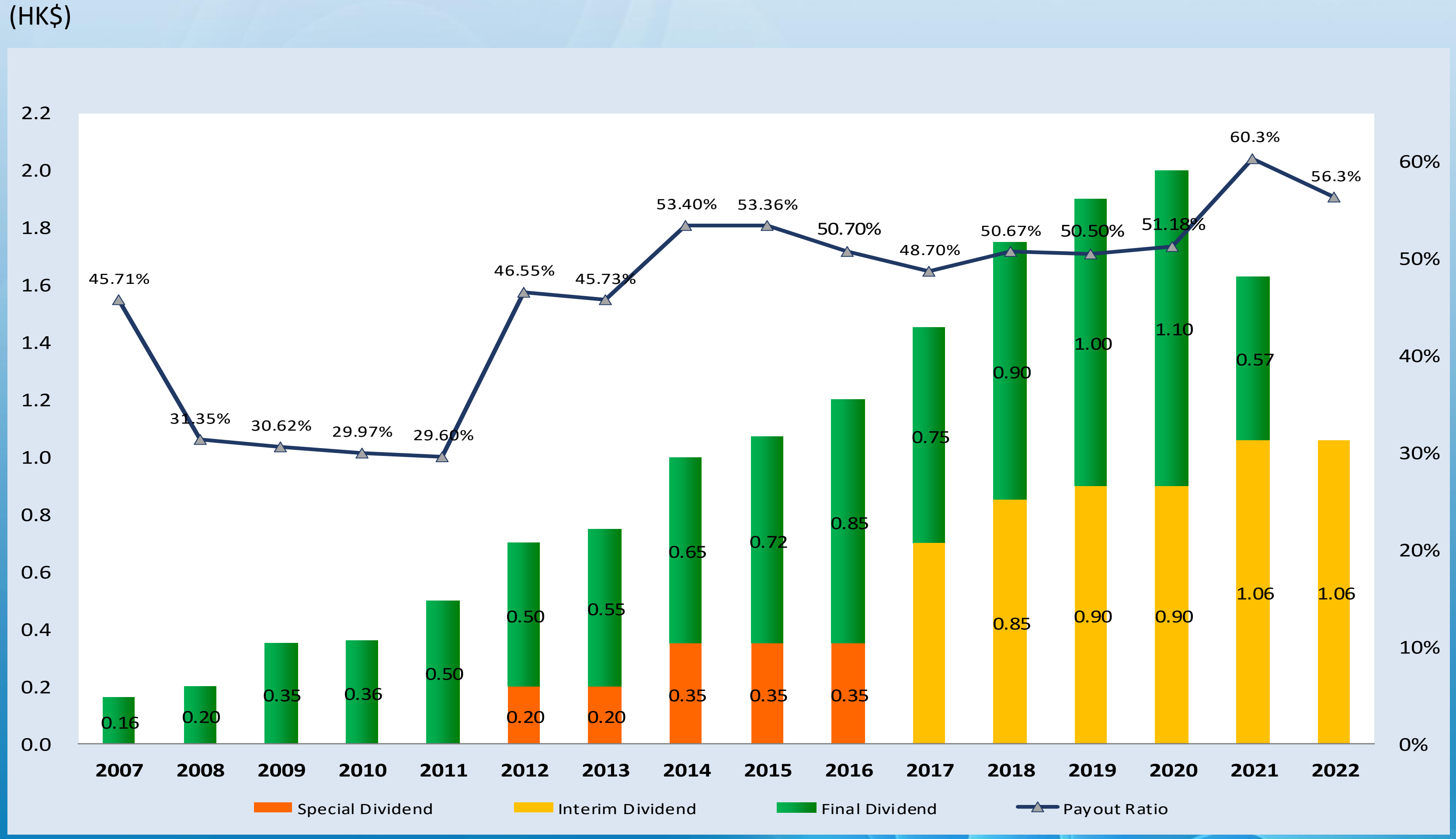
Remark:* Net Profit Excluding Government Incentives and Exchange Gain & Loss Calculation has not adjusted the tax impact. For reference only.

Expenses Analysis by Nature

For the 6 months ended 30 Jun

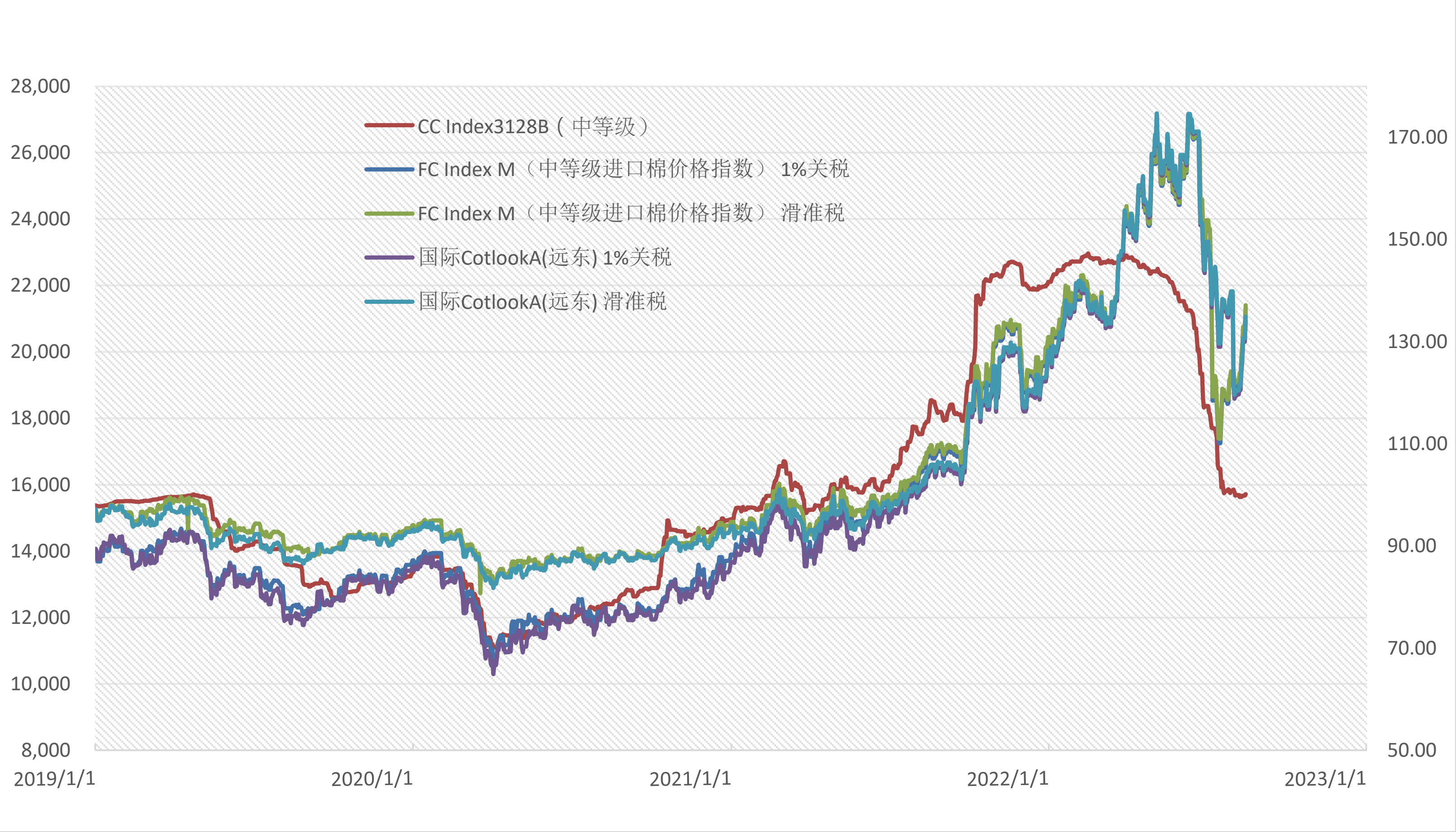
(RMB '000)	2022	2021	Change
Employee benefit expenses:			
Wages and salaries	**3,600,922**	3,225,207	**+11.6%**
Retirement benefit contributions	**344,538**	308,910	**+11.5%**
Other benefits	**173,472**	146,672	**+18.3%**
Total	**4,118,932**	3,680,789	**+11.9%**
Depreciation, amortisation and impairment expenses	**678,163**	567,818	**+19.4%**
Raw materials and consumables utilized	**6,869,498**	5,182,282	**+32.6%**
Utilities expenses	**706,017**	476,373	**+48.2%**

Dividend and Payout Ration



Domestic and International Cotton Prices

(RMB/tonne)



Turnover Breakdown by Products

- Revenue from sales of sportswear increased mainly attributable to the increase in sportswear products order demand in both the US and European markets
- Slight decrease in casual wear sales was led by the decrease in demand in the PRC and Japan market
- Revenue drop in lingerie wear due to the decrease in procurement demand in Japanese market

	1H2022		1H2021		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Product						
Sports wear	10,687,190	78.6	8,069,966	71.0	2,617,224	32.4
Casual wear	2,087,944	15.4	2,206,456	19.4	(118,512)	(5.4)
Lingerie	610,462	4.5	782,426	6.9	(171,964)	(22.0)
Other knitting products	207,193	1.5	309,758	2.7	(102,565)	(33.1)
Total	13,592,789	100.0	11,368,606	100.0	2,224,183	19.6

Turnover Breakdown by Regions

- Both US and European market recorded increase in sales, which were primarily attributable to the increase in demands for sportswear
- Recorded a decrease in revenue in the Japanese market mainly due to a drop in demand of lingerie wear and casual wear
- A slightly sales decrease in the domestic market was mainly due to the decrease in demand for orders of international brands in the market of Mainland China, however, the increase in demand for orders of domestic brands has offset the fluctuation of the Group's sales in the domestic market

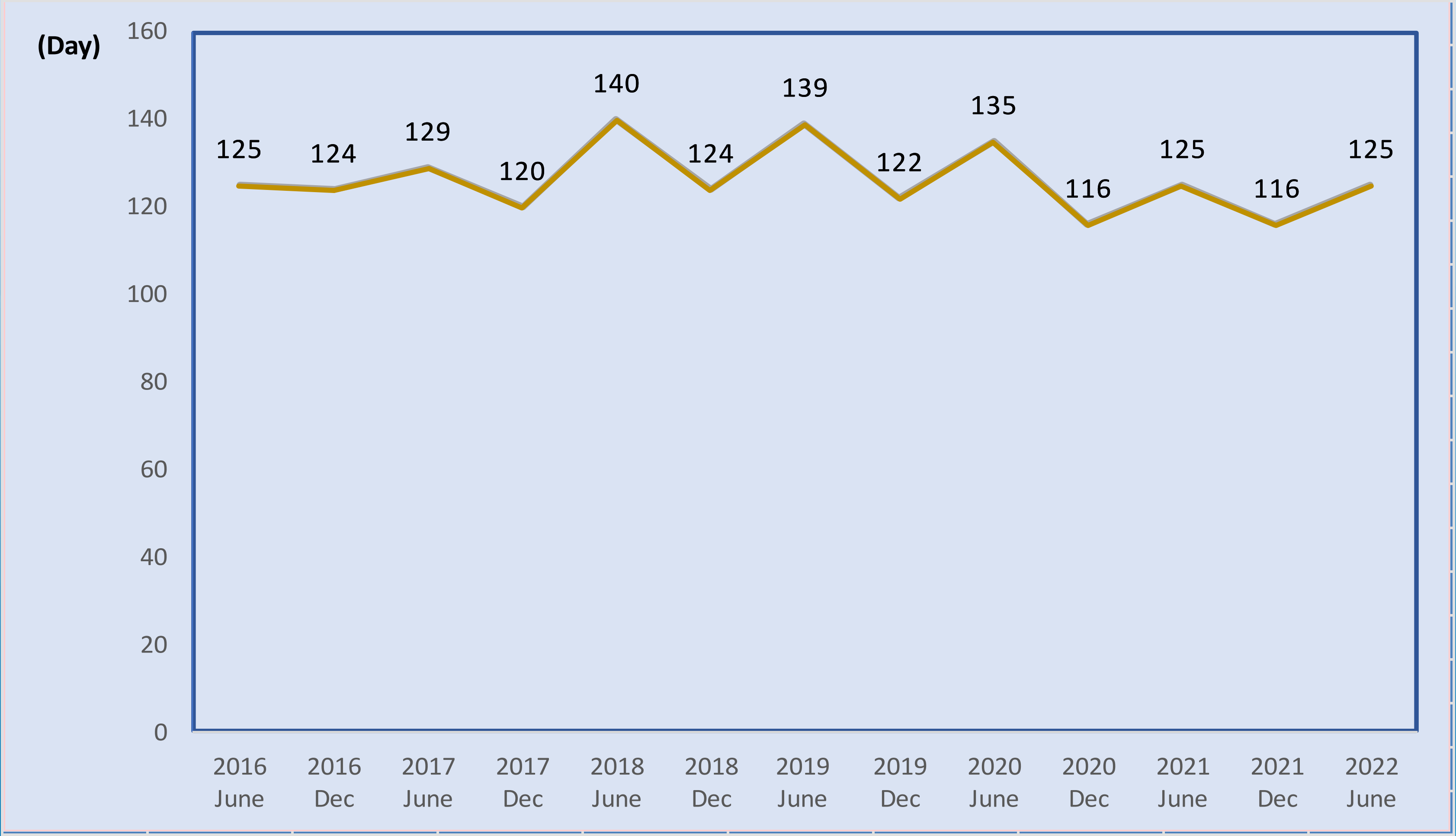
	1H2022		1H2021		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Region						
Europe	3,326,629	24.5	2,141,998	18.8	1,184,631	55.3
United States	2,720,531	20.0	1,759,824	15.5	960,707	54.6
Japan	1,632,574	12.0	2,011,868	17.7	(379,294)	(18.9)
Others	2,692,261	19.8	2,151,883	18.9	540,378	25.1
Domestic market	3,220,794	23.7	3,303,033	29.1	(82,239)	(2.5)
Total	13,592,789	100.0	11,368,606	100.0	2,224,183	19.6

Key Financial Indicators

	2022.06.30	2021.12.31	2021.06.30
Inventory turnover days	125	116	125
Debtor turnover days	55	59	62
Creditor turnover days	24	25	25

	2022.06.30	2021.12.31	2021.06.30
Gross gearing ratio (debt to equity) (%)	33.5	38.1	28.0
Current ratio (times)	2.2	2.0	2.5
Cash and cash equivalent (RMB million)	6,809,2	6,687.6	10,294.7
Net assets (RMB million)	29,784.3	27,783.1	28,049.9
Total assets (RMB million)	43,461.5	42,131.9	38,712.5

Inventory Turnover Days Analysis



Inventory

(RMB'000)	30-Jun-22	31-Dec-21	%	30-Jun-21	%
Raw materials	1,522,526	1,567,062	-2.8	1,290,540	+18.0
Work in progress	3,620,438	3,065,628	+18.1	2,750,546	+31.6
Finished goods	2,886,946	2,138,783	+35.0	2,296,400	+25.7
	8,029,910	6,771,473	+18.6	6,337,486	+26.7
Provision	(152,193)	(135,868)	+12.0	(109,312)	+39.2
	7,877,717	6,635,605	+18.7	6,228,174	+25.5

Treasury Management

(RMB'000)	30 Jun 2022	30 Jun 2021	Change
Bank Interest Income	**119,356**	104,304	**15,052**
Other Interest Income/ Fair Value Gain	**22,750**	21,159	**1,591**
	142,106	125,463	**16,643**
Less: Bank Interest Expenses	**100,866**	48,670	**52,196**
Other Interest Expenses on lease liabilities	**2,691**	2,831	**(140)**
	103,557	51,501	**52,056**
Net Interest Income	**38,549**	73,962	**(35,413)**

Treasury Management (Cont’d)

(RMB’000)	30 Jun 2022	31 Dec 2021	Change
Cash & Cash Equivalents	**6,809,218**	6,687,623	**+121,595**
Less: Bank Loan	**(9,962,672)**	(10,588,679)	**+626,007**
Net (Debts)/ Cash	**(3,153,454)**	(3,901,056)	**+747,602**
Long Time Deposits (+1 year)	**960,000**	1,710,000	**(750,000)**
Bank Deposit (+3 months)	**4,008,251**	3,113,156	**+895,095**
Pledged Deposit	**--**	3,501,015	**(3,501,015)**
Financial Assets	**3,976,851**	2,413,823	**+1,563,028**
	8,945,102	10,737,994	**(1,792,892)**
	5,791,648	6,836,938	**(1,045,290)**

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02 Business Review

Major Achievements in 1H2022

Expansion of overseas production facilities

- Already eliminated the adverse effect by the pandemic as productions and operations have been recovered

Fabric Factory Vietnam

- Daily production capacity has raised to 400 tons after expansion, which further secured the supply of fabrics to overseas garment factories

Garment Factory Vietnam

- Civil project and the installation of equipment in more than half of the production workshops has completed
- More staff will be engaged gradually

Garment Factory Cambodia

- Construction of the new garment factory was progressing well
- With approximately 14,000 employees and achieved satisfactory improvement in efficiency

Major Achievements in 1H2022 (Cont'd)

Implemented a series of ESG measure

Promoted green and low carbon activities

- Established a reclaimed water recycling project at the fabric factory in Vietnam, which has a daily processing capability of 5,000 tons and has commenced operation in July 2022
- Further expanded the application of the rooftop solar power photovoltaics project in Ningbo base, with self-supplied electricity reaching approx. 3,000 MW, representing an increase of approx. 72%
- Commenced construction of the rooftop solar power project of new garment factory in Cambodia and expected the supply of green electricity can reach approximately 50% of the total charge after completion

Major Achievements in 1H2022 (Cont'd)

Highly recognized suppliers

ESG achievement

IR excellence

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 78.6% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 82.8% (1H2021: 83.8%) of the Group's total turnover

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03 Strategies & Plans

Future Strategies

Continuous improvement of cooperate sustainability

- Attaches great importance to and promotes sustainable development

Enhance product development

- Enhance diversity, functionality and refinement of new fabric development, as well as the comprehensive service capability to customers

Optimize the industrial chain layout of overseas production bases

- Select competitive countries for the layout of new production bases when necessary
- Enhance the integrity in the procedural facilities of upstream and downstream industrial chain

Emphasis on strategic planning and implementation of human resources

- With the help of external resources to enhance the awareness and capabilities of key managerial
- Train young talents for reservation

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04 Open Forum