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 2023

August 2023

Agenda

AGENDA

01 Financial Highlight

02 Business Review

03 Strategies & Plans

04 Open Forum

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01 Financial Highlight

Financial Highlights

For the 6 months ended 30 Jun

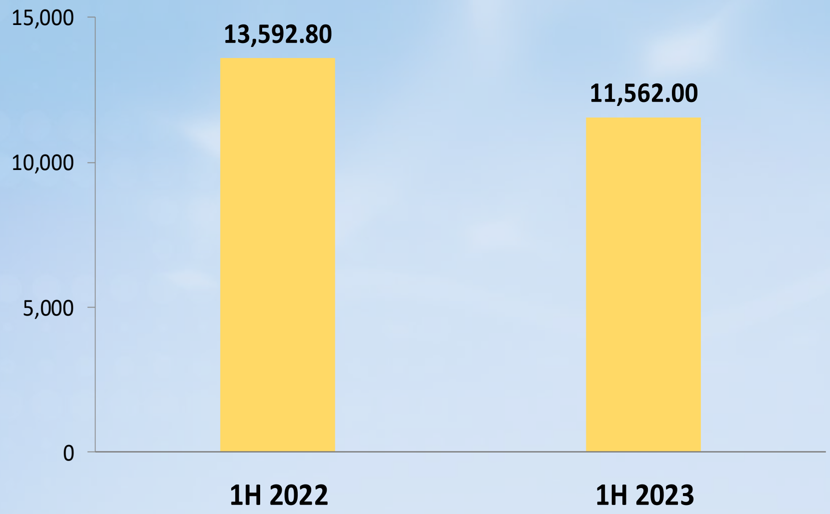
(RMB '000)	2023	2022	Change
Sales	**11,561,962**	13,592,789	**(14.9%)**
Gross profit	**2,594,904**	3,065,607	**(15.4%)**
Profit attributable to owners of the parent	**2,126,829**	2,366,616	**(10.1%)**
Basic EPS (RMB)	**1.41**	1.57	**(10.2%)**
Interim dividend per share (HK$)	**0.95**	1.06	**(10.4%)**

Sales Analysis

- Mainly attributable to

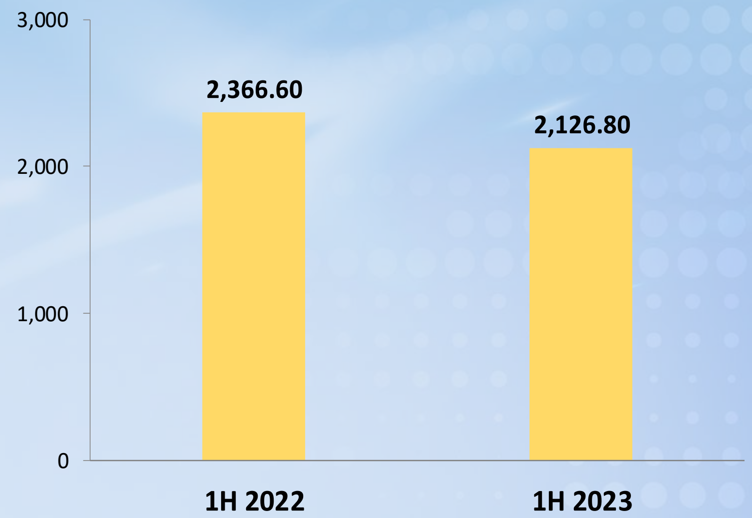
Sales

(RMB million)



Profit Attributable to Equity Holders

(RMB million)



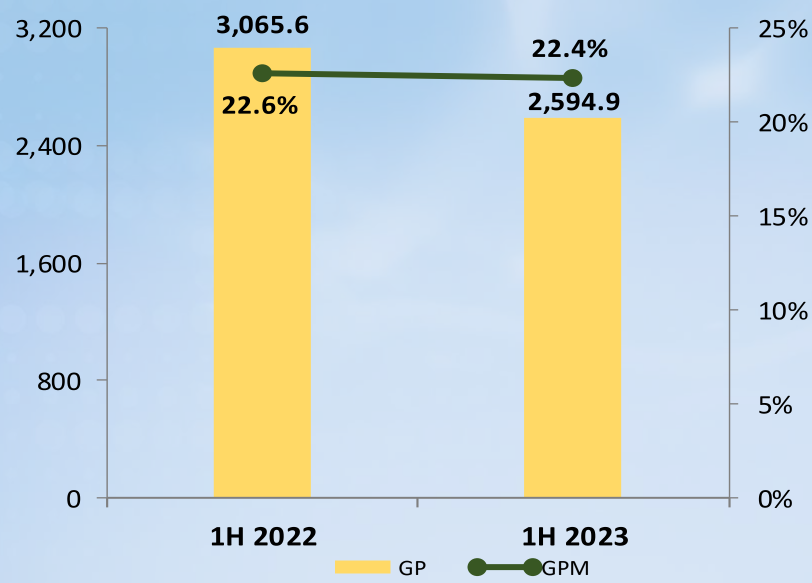
- Recorded a decrease in revenue
  - Weak global consumer demand
  - De-stocking by brand customers
  - Lack of normal utilization of the Group’s existing production capacity

- Main factors of change
  - Decrease in revenue
  - Decrease in net foreign exchange gain
  - Better cost control on expenses
  - Increase in interest income
  - Decrease in tax expenses

Profit Margin Analysis

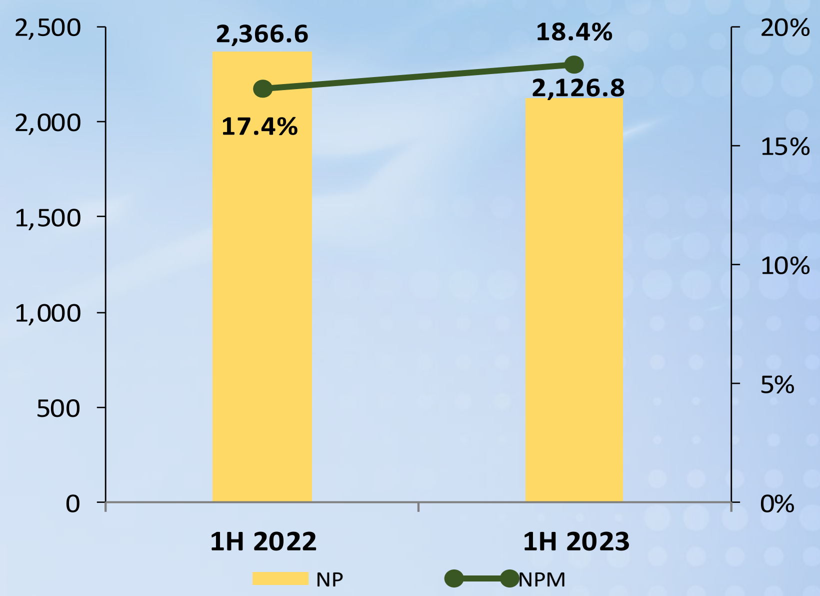
Gross Profit

(RMB million)



Net Profit Attributable to Equity Holders

(RMB million)



- Overall gross profit margin slightly decreased by 0.2p.p. to 22.4%, mainly due to:
  - Decreasing demand for the Group's products and subnormal utilization rate due to soft demand for apparel products around the globe during the period when most brands were destocking
  - The number of employees has not yet reached the designed scale in the Group's newly expanded plants in Cambodia and Vietnam, and there is still room for further improvement in the production efficiency of employees. The contribution of new production capacity to the Group's profit is still in a transitional period

Operating Expenses Analysis

For the 6 months ended 30 Jun

(RMB '000)	2023	2022	Change
Selling & distribution expenses	**81,135**	124,736	**(43,601)**
Administrative expenses	**913,688**	1,002,415	**(88,727)**
Finance cost	**146,258**	103,557	**42,701**
Operating Expenses	**1,141,081**	1,230,708	**(89,627)**
% to Revenue	**9.87%**	9.05%	**0.82p.p**

Net Profit Analysis

For the 6 months ended 30 Jun

(RMB '000)	2023	2022	Change
Net Profit to Equity Holders	**2,126,829**	2,366,616	**(239,787)**
Less: Government Incentives	**169,284**	162,598	**6,686**
: Net Exchange Gain	**243,663**	617,230	**(373,567)**
Net Profit Excluding Government Incentives & Exchange Gain & Loss*	**1,713,882**	1,586,788	**127,094**

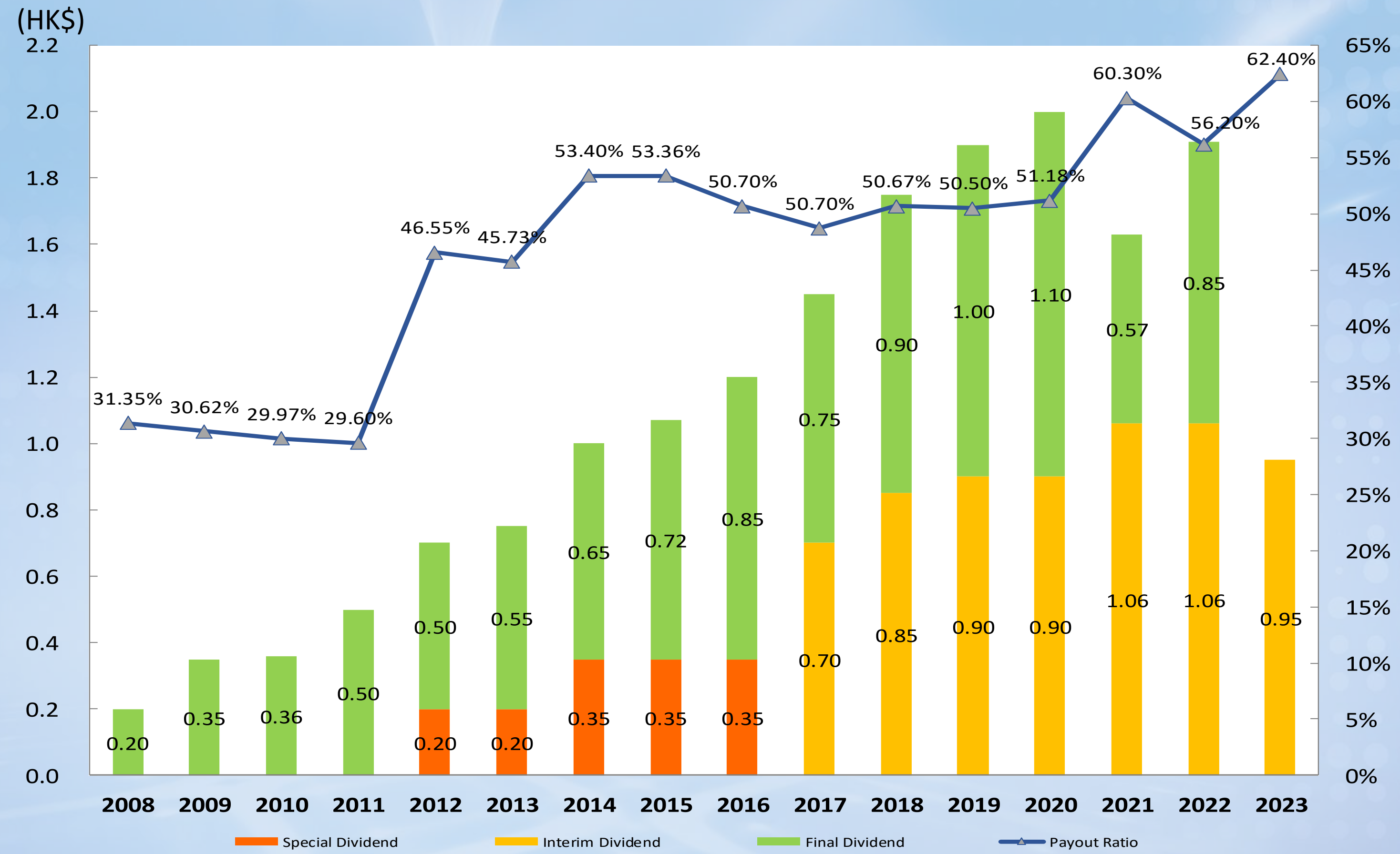
Remark:* Net Profit Excluding Government Incentives and Exchange Gain & Loss Calculation has not adjusted the tax impact. For reference only.

Expenses Analysis by Nature

For the 6 months ended 30 Jun

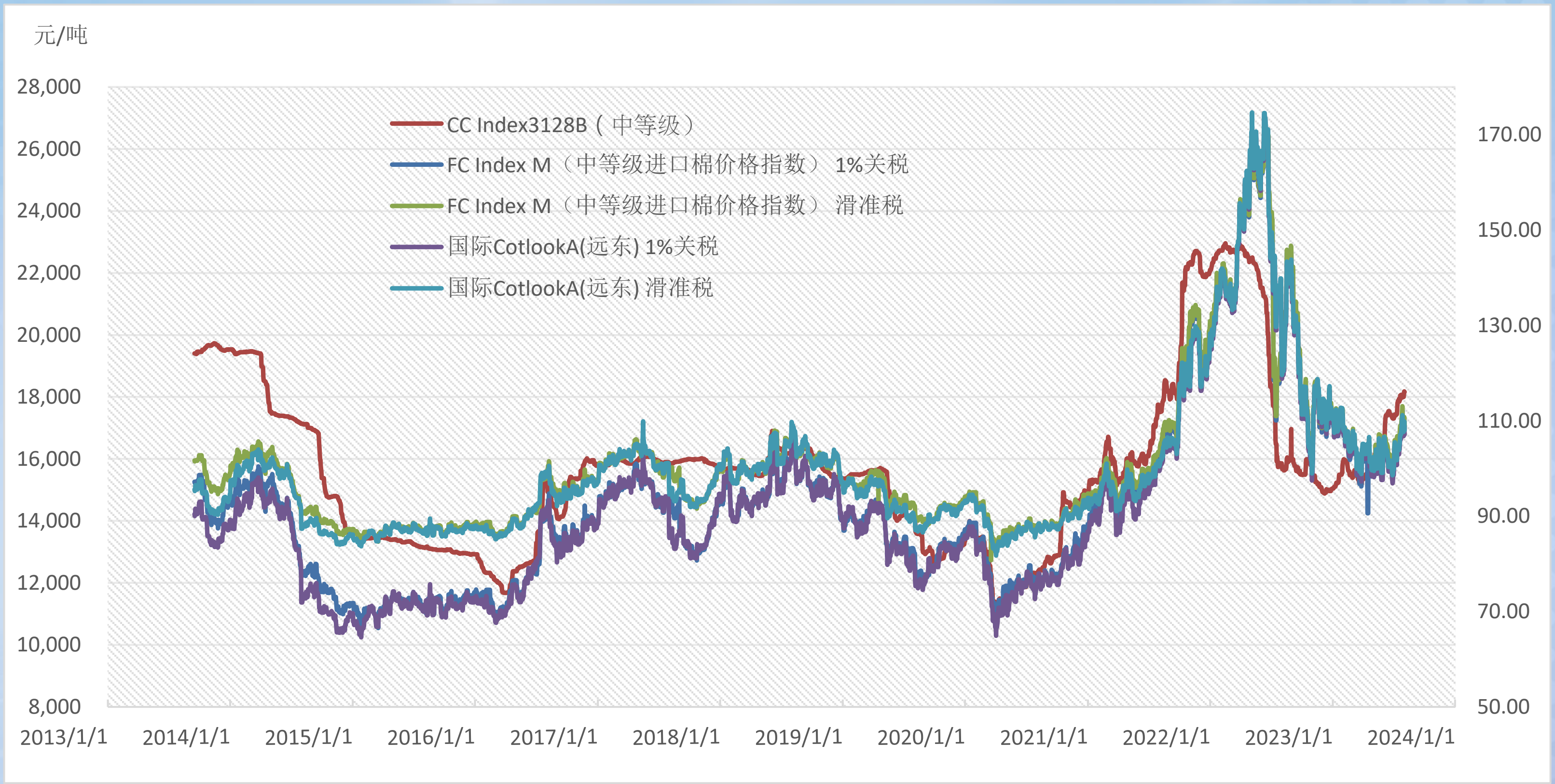
(RMB '000)	2023	2022	Change
Employee benefit expenses:			
Wages and salaries	**2,906,471**	3,600,922	**(694,451)**
Retirement benefit contributions	**339,110**	344,538	**(5,428)**
Other benefits	**120,134**	173,472	**(53,338)**
Total	**3,365,715**	4,118,932	**(753,217)**
Depreciation, amortisation and impairment expenses	**751,018**	678,163	**72,855**
Raw materials and consumables utilized	**4,942,394**	6,869,498	**(1,927,104)**
Utilities expenses	**564,397**	706,017	**(141,620)**
Net Exchange gain/(loss)	**243,663**	617,230	**(373,567)**

Dividend and Payout Ration



Domestic and International Cotton Prices

(RMB/tonne)



Turnover Breakdown by Products

- Revenue from sales of sportswear decreased mainly due to the decrease in sportswear products order demand in both the US and European markets
- Recorded increase in casual wear sales was led by the increase in demand in the PRC and Japan market
- Revenue slightly increased in lingerie wear due to the increase in demand in the PRC market

	1H2023		1H2022		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Product						
Sports wear	8,560,723	74.0	10,687,190	78.6	(2,126,467)	(19.9)
Casual wear	2,299,766	19.9	2,087,944	15.4	211,822	10.1
Lingerie	612,784	5.3	610,462	4.5	2,322	0.4
Other knitting products	88,689	0.8	207,193	1.5	(118,504)	(57.2)
Total	11,561,962	100.0	13,592,789	100.0	(2,030,827)	(14.9)

Turnover Breakdown by Regions

- Both US and European market recorded decrease in sales, which were primarily due to the decrease in demands for sportswear
- Recorded a slightly increase in revenue in the Japanese market mainly due to an increase in demand of 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

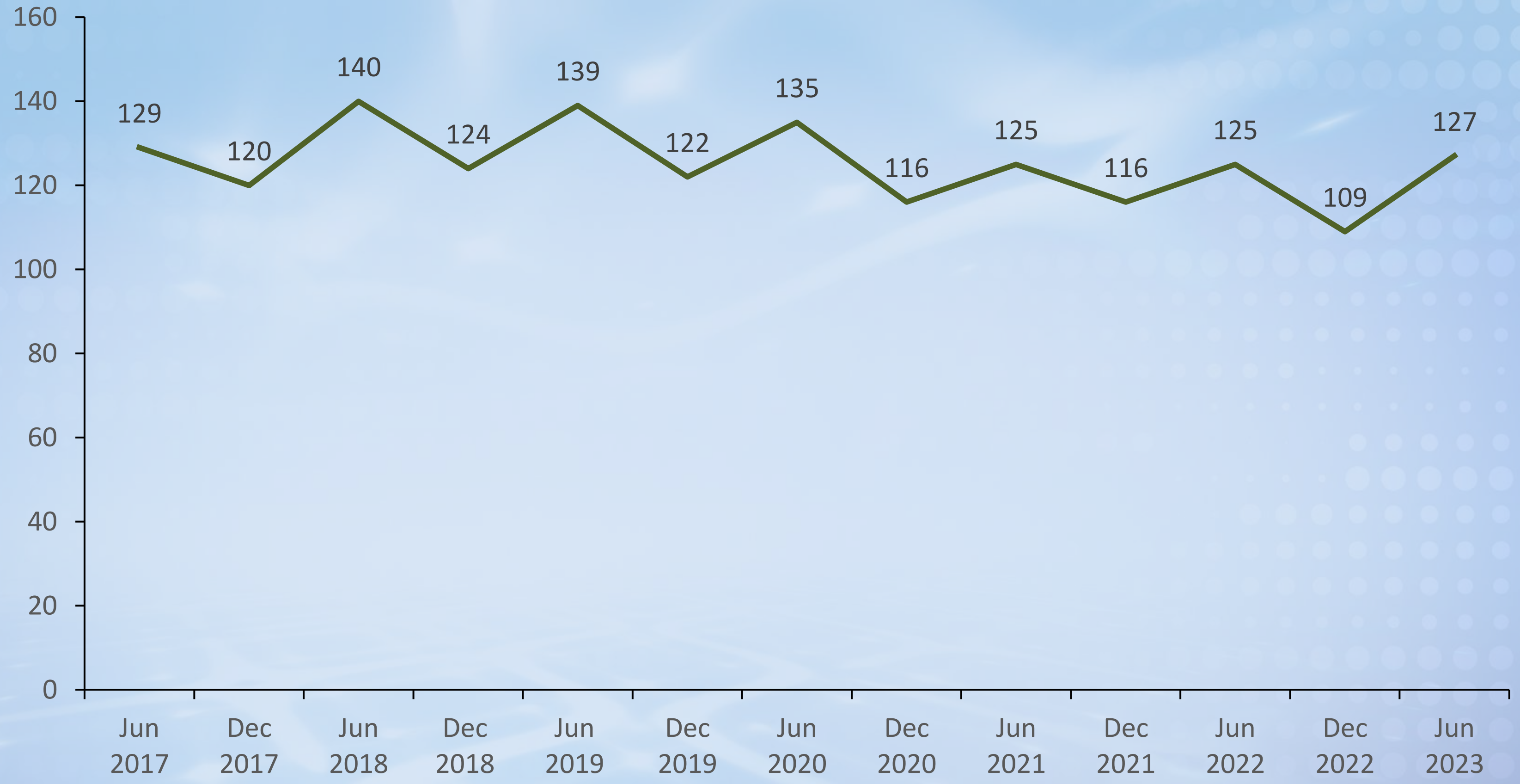
	1H2023		1H2022		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By Region						
Europe	2,421,402	20.9	3,326,629	24.5	(905,227)	(27.2)
United States	1,831,356	15.9	2,720,531	20.0	(889,175)	(32.7)
Japan	1,666,147	14.4	1,632,574	12.0	33,573	2.1
Others	2,539,800	22.0	2,692,261	19.8	(152,461)	(5.7)
Domestic market	3,103,257	26.8	3,220,794	23.7	(117,537)	(3.6)
Total	11,561,962	100.0	13,592,789	100.0	(2,030,827)	(14.9)

Key Financial Indicators

	2023.06.30	2022.12.31	2022.06.30
Inventory turnover days	**127**	109	125
Debtor turnover days	**75**	56	55
Creditor turnover days	**20**	20	24

	2023.06.30	2022.12.31	2022.06.30
Gross gearing ratio (debt to equity) (%)	**33.5**	29.9	33.5
Current ratio (times)	**2.2**	2.6	2.2
Cash and cash equivalent (RMB million)	**10,365.7**	7,369.5	6,809.2
Net assets (RMB million)	**32,154.3**	30,765.8	29,784.3
Total assets (RMB million)	**46,335.6**	43,492.9	43,461.5

Inventory Turnover Days Analysis



Inventory

(RMB'000)	30-Jun-23	31-Dec-22	%	30-Jun-22	%
Raw materials	**1,241,118**	1,224,123	**1.4**	1,522,526	**(18.5)**
Work in progress	**3,027,303**	2,925,493	**3.5**	3,620,438	**(16.4)**
Finished goods	**2,209,152**	2,247,586	**(1.7)**	2,886,946	**(23.8)**
	6,477,573	6,397,202	**1.3**	8,029,910	**(19.3)**
Provision	**(158,078)**	(136,399)	**15.9**	(152,193)	**3.9**
	6,319,495	6,260,803	**0.9**	7,877,717	**(19.8)**

Treasury Management

(RMB'000)	30 Jun 2023	30 Jun 2022	Change
Bank Interest Income	**325,831**	119,356	**206,475**
Other Interest Income/ Fair Value Gain	**90,568**	22,750	**67,818**
	416,399	142,106	**274,293**
Less: Bank Interest Expenses	**142,023**	100,866	**41,157**
Other Interest Expenses on lease liabilities	**4,235**	2,691	**1,544**
	146,258	103,557	**42,701**
Net Interest Income	**270,141**	38,549	**231,592**

Treasury Management (Cont'd)

(RMB'000)	30 Jun 2023	31 Dec 2022	Change
Cash & Cash Equivalents	**10,365,717**	7,369,498	**2,996,219**
Less: Bank Loan	**(10,760,034)**	(9,197,684)	**(1,562,350)**
Net (Debts)/ Cash	**(394,317)**	(1,828,186)	**1,433,869**
Long Time Deposits (+1 year)	**6,889,203**	2,940,984	**3,948,219**
Bank Deposit (+3 months)	**1,187,242**	3,159,888	**(1,972,646)**
Pledged Deposit	**--**	725,934	**(725,934)**
Financial Assets	**2,140,377**	3,195,232	**(1,054,855)**
Total Fixed Deposit & Financial Assets	**10,216,822**	10,022,038	**194,784**
Net Free Cash & Financial Assets	**9,822,505**	8,193,852	**1,628,653**

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02 Business Review

Major Achievements in 1H2023

Expansion of overseas production facilities

- New customer-specific factory has also commenced operation
- Enhanced the application of automation equipment
- With approx. 4,500 current employees

- Production efficiency of new garment factory has been significantly improved
- Output of garments from new factory accounting for approx. 17% of the Group's total production in 1H2023
- Production processes such as printing and embroidery are fully supported

Major Achievements in 1H2023 (Cont'd)

Further improved digital management ecosystem

- realized informatization data collection and visualized management of the entire process from research and development, design, procurement, manufacturing, logistics, inspection and sales
- Improved the integrated platform of production management system for the whole industrial chain
- facilitated the overall monitoring and management of the whole production process

Products became more diversified

- Added new fabric categories such as woven fabrics
- Fiber raw materials used have become more diversified
- New expansion in the range of products produced for customers

Major Achievements in 1H2023 (Cont'd)

Accelerated the promotion of green and low-carbon actions

Added 6.3MW of installed rooftop photovoltaic power generation capacity, with the cumulative total installed capacity reaching 51.9MW, and will further expand the construction scale of rooftop photovoltaic power plants

Inviting strategic cooperative suppliers to join in climate action and labor management, promoting the linkage between the upstream and downstream industry chains in sustainable development

Participated in green certificate trading for the first time, aiming to enhance the green performance of the domestic and overseas production bases

Major Achievements in 1H2023 (Cont'd)

ESG achievements



IR excellence


Highly recognized suppliers



adidas

CERTIFICATE OF ACHIEVEMENT

Ningbo Shenzhou Knitting Co Ltd (Factory 4)

BRILLIANT SOCIAL IMPACT AWARDS

SEA


Optimization of Product Structure

Sportswear customers

Casual wear customers

- Strengthened cooperation with strategic customers by prioritizing the allocation of production resources and Increased sales to domestic brand customers, the Group also introduced certain quality new clients
- Revenue from sportswear products represented 74.0% of total revenue. Four renowned customers, ADIDAS, NIKE, PUMA and UNIQLO , accounted for 79.8% (1H2022: 82.8%) of the Group’s total turnover.

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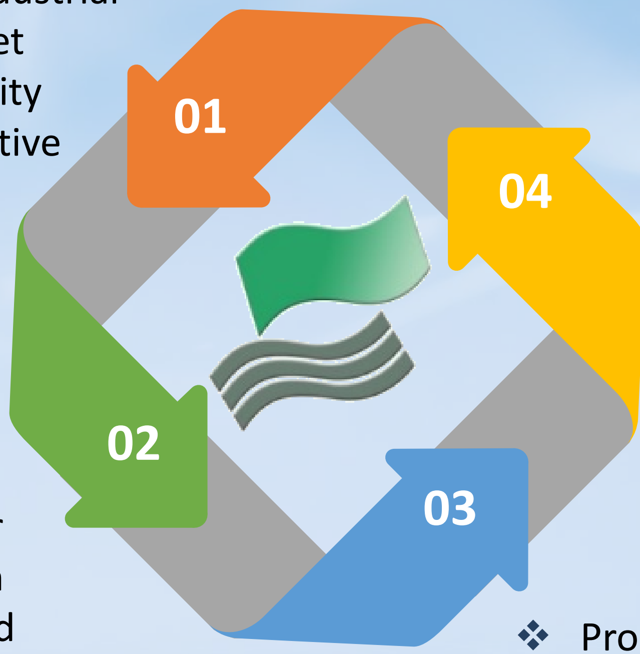
03 Strategies & Plans

Future Strategies

- Continue to deepen the integration of the industrial chain and gain market share with high-quality products and innovative technologies



- Deepen customer relationships with value creation and quick response

- Promote science and technology with its talent pool and incentive schemes

- Adopt lean production and digital management to improve production efficiency

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04 Open Forum