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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2313)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

HIGHLIGHTS

- Revenue for the six months ended 30 June 2009 amounted to RMB2,755,629,000, an increase of 30.8% when compared with the corresponding period of 2008.
- Percentage of lingerie revenue to total revenue increased to 8.7% for the six months ended 30 June 2009. Lingerie revenue increased substantially by 98.2% when compared with the corresponding period of 2008.
- Gross profit margin for the six months ended 30 June 2009 was 31.8%, up by 7.4 percentage points when compared with the corresponding period of 2008.
- Profit attributable to equity holders of the Company for the six months ended 30 June 2009 amounted to RMB575,287,000, a substantial increase of approximately 118.2% when compared with the corresponding period of 2008.
- Earnings per share amounted to RMB0.46, an increase of 119.0%.

The board of directors (the "Board") of Shenzhou International Group Holdings Limited ("Shenzhou International" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009, together with the comparative amounts for the corresponding period of 2008. The interim results and interim financial statements have not been audited but have been reviewed by the Company's audit committee.

* *For identification purpose only*

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

	Notes	Unaudited For the six months ended 30 June **2009** *RMB'000*	2008 *RMB'000*
REVENUE	*4*	**2,755,629**	2,107,078
Cost of sales	*5*	**(1,879,301)**	(1,592,216)
Gross profit		**876,328**	514,862
Other income	*6*	**3,056**	28,055
Selling and distribution costs	*5*	**(22,324)**	(20,778)
Administrative expenses	*5*	**(167,423)**	(152,155)
Other gains/(expenses)	*7*	**15,911**	(58,044)
Finance costs	*8*	**(16,537)**	(24,236)
PROFIT BEFORE TAX		**689,011**	287,704
Tax	*9*	**(113,186)**	(23,507)
Profit for the period		**575,825**	264,197
Attributable to:			
Equity holders of the Company		**575,287**	263,646
Minority interests		**538**	551
		575,825	264,197
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT FOR THE PERIOD	*10*		
– Basic		**RMB0.46**	RMB0.21
– Diluted		**N/A**	N/A

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Notes	Unaudited For the six months ended 30 June 2009 RMB'000	2008 RMB'000
Profit for the period		**575,825**	264,197
Other comprehensive income:			
Net losses on cash flow hedges		**(65,562)**	(22,203)
Translation differences on foreign operation		**(153)**	(7,307)
Other comprehensive loss for the period, net of tax		**(65,715)**	(29,510)
Total comprehensive income for the period, net of tax		**510,110**	234,687
Attributable to:			
Equity holders of the Company		**509,572**	234,136
Minority interests		**538**	551
		510,110	234,687

Note: Other than cash flow hedges as highlighted above, items shown within other comprehensive income have no tax effect.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Notes	**Unaudited 30 June 2009 RMB'000**	Audited 31 December 2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**2,419,524**	2,273,680
Land use rights	*12*	**208,392**	205,994
Intangible assets	*12*	**124,530**	127,668
Deferred tax assets		**9,429**	12,233
Total non-current assets		**2,761,875**	2,619,575
CURRENT ASSETS			
Inventories	*13*	**1,052,189**	732,426
Trade receivables	*14*	**542,846**	487,038
Prepayments, deposits and other receivables	*15*	**186,948**	117,291
Derivative financial instruments	*16*	**33,286**	96,780
Pledged deposits		**6,650**	–
Bank deposits with initial term of over three months		**64,106**	30,000
Cash and cash equivalents		**363,831**	238,141
Total current assets		**2,249,856**	1,701,676
CURRENT LIABILITIES			
Trade and bills payables	*17*	**590,024**	286,969
Other payables and accruals	*18*	**425,823**	283,998
Derivative financial instruments	*16*	**–**	12,960
Interest-bearing bank and other borrowings		**684,688**	766,597
Amount due to related parties	*21b*	**7,398**	1,368
Tax payable		**65,011**	22,013
Total current liabilities		**1,772,944**	1,373,905
NET CURRENT ASSETS		**476,912**	327,771
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,238,787**	2,947,346

	Notes	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**75,766**	64,245
Deferred tax liabilities		**–**	10,128
Total non-current liabilities		**75,766**	74,373
Net assets		**3,163,021**	2,872,973
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**129,717**	129,717
Reserves		**3,020,649**	2,730,670
		3,150,366	2,860,387
Minority interests		**12,655**	12,586
Total equity		**3,163,021**	2,872,973

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

1. GENERAL INFORMATION

Shenzhou International Group Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2005.

The Company and its subsidiaries (the "Group") is principally engaged in the manufacture and sale of knitwear products.

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") unless otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 18 August 2009.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited. The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of the following relevant new and revised Hong Kong Financial Reporting Standards ("HKFRS") amendments and interpretations effective from 1 January 2009:

HKFRSs (Amendments)	Improvements of HKFRSs
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 7 (Revised)	Financial Instruments Disclosures
HKFRS 8	Operating Segments

The improvements to HKFRSs include amendments to remove inconsistencies and to clarify wording. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

HKAS 23 has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalized on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

The adoption of the other revisions, amendments and interpretations has had no effect on the Group's interim financial information.

4. SALES AND SEGMENT INFORMATION

The Group is principally engaged in a single business segment, the manufacture and sale of knitwear products, the majority of the operations and assets of which are located in Mainland China. Therefore, no business segment is presented.

Revenue by geographical location of customers (by market locations where merchandise was sold):

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Sales to external customers		
Japan	**1,423,092**	1,016,746
Europe	**388,421**	294,306
Mainland China	**570,148**	522,777
Others	**373,968**	273,249
	2,755,629	2,107,078

5. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**485,261**	403,746
Retirement benefit contributions	**13,488**	21,148
Other benefits	**15,175**	8,305
	513,924	433,199
Depreciation, amortisation and impairment expenses	**117,581**	102,564
Changes in inventories of finished goods and work in progress	**(259,334)**	(176,413)
Raw materials and consumables utilized	**1,425,257**	1,139,287
Utilities expenses	**139,718**	126,788
Outsourcing	**44,845**	42,774
Commission	**13,204**	10,976
Operating lease expenses for properties	**10,055**	10,099
Transportation expenses	**9,390**	9,407
Office expenses	**6,286**	6,077
Entertainment expenses	**5,033**	3,838
Inspection fees	**3,079**	2,752
Traveling expenses	**2,660**	2,658
Donation	**195**	15,024
Other expenses	**37,155**	36,119
Total cost of sales, distribution costs and administrative expenses	**2,069,048**	1,765,149

6. OTHER INCOME

	For the six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Exchange (loss)/gain, net	**(3,155)**	27,091
Government incentives	**3,803**	328
Bank interest income	**2,408**	636
	3,056	28,055

7. OTHER GAINS/(EXPENSES)

	For the six months ended 30 June **2009** *RMB'000*	2008 *RMB'000*
Fair value gain/(loss), net:		
Derivative instruments — transactions not qualifying as hedges	**16,162**	(57,759)
Loss on disposal of items of property plant and equipment	**(251)**	(285)
	15,911	(58,044)

8. FINANCE COSTS

	For the six months ended 30 June **2009** *RMB'000*	2008 *RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**16,537**	24,236

9. TAX

The major components of income tax for the six months ended 30 June 2009 and 2008 are:

	For the six months ended 30 June **2009** *RMB'000*	2008 *RMB'000*
Current Mainland China corporate income tax ("CIT")	**101,778**	19,248
Deferred taxation	**11,408**	4,259
	113,186	23,507

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied to profits or income or gain or appreciation shall apply to the Company or its operations. As the Company carries on business in Hong Kong, it is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Company has available tax losses brought forward from prior years to offset the assessable profits generated during the period (for the six months ended 30 June 2008: Nil).

Pursuant to the International Business Companies Act, 1984 ("IBC Act") of the British Virgin Islands, International Business Companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax, and all forms of withholding tax. Accordingly, Top Always Investments Ltd. ("Top Always"), a subsidiary incorporated in British Virgin Islands, is not subject to tax.

Shenzhou (Cambodia) Co., Ltd. ("Shenzhou Cambodia"), a wholly-owned subsidiary incorporated in the Kingdom of Cambodia under the Law on Taxation, is subject to income tax at a rate of 9% and is entitled to be exempted from income tax for the first four profit-making years. Shenzhou Cambodia is in its forth profitable year of operation, it is entitled to be exempted from income tax in 2009.

Shenzhou Trading Co., Ltd. ("Shenzhou Trading") and Top Always (HongKong) Investments Ltd. ("Top Always (HongKong)"), wholly-owned subsidiaries incorporated in Hong Kong, are subject to a profits tax rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision of Hong Kong profits tax have been made as Shenzhou Trading and Top Always (HongKong) had no assessable profits arising in Hong Kong during the period (for the six months ended 30 June 2008: Nil).

The PRC enterprises income tax is provided based on the statutory income tax rate of 25% of the assessable income of each of these companies for the period as determined in accordance with the New CIT Law except for certain of the Group's PRC subsidiaries, which are exempted from the PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. The tax holidays and concessions will expire between 2009 and 2012.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of earnings per share attributable to ordinary equity holders of the Company for the period is based on the consolidated profit attributable to equity holders of the Company of approximately RMB575,287,000 (for the six months ended 30 June 2008: RMB263,646,000) and on the weighted average number of 1,245,000,000 (for the six months ended 30 June 2008: 1,245,000,000) ordinary shares in issue.

Diluted earnings per share has not been presented as there were no diluted ordinary shares.

11. DIVIDEND

Pursuant to the resolution passed by the Board on 18 August 2009, the directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009.

12. CAPITAL EXPENDITURES

	Properties, plants and equipment *RMB'000*	Land use rights *RMB'000*	Water use rights *RMB'000*	Software *RMB'000*
For the six months ended 30 June 2008				
Opening net book amount at 1 January 2008	1,973,982	151,993	–	521
Additions	334,247	48,805	126,000	1,404
Disposals	(746)	–	–	–
Depreciation/amortisation	(100,841)	(1,198)	(525)	(52)
Exchange differences	(1,950)	–	–	–
Closing net book amount at 30 June 2008	2,204,692	199,600	125,475	1,873
For the six months ended 30 June 2009				
Opening net book amount at 1 January 2009	**2,273,680**	**205,994**	**125,238**	**2,430**
Additions	**258,681**	**4,207**	**–**	**220**
Disposal	**(411)**	**–**	**–**	**–**
Depreciation/amortisation	**(112,414)**	**(1,809)**	**(3,225)**	**(133)**
Exchange differences	**(12)**	**–**	**–**	**–**
Closing net book amount at 30 June 2009	**2,419,524**	**208,392**	**122,013**	**2,517**

13. INVENTORIES

	30 June 2009 ***RMB'000***	31 December 2008 *RMB'000*
Raw materials	**202,796**	134,342
Work in progress	**531,976**	320,805
Finished goods	**317,417**	277,279
	1,052,189	732,426

14. TRADE RECEIVABLES

The majority of the Group's sales are on letters of credit. The remaining amounts are generally granted with credit terms ranging from 1 to 6 months. The aging analysis of trade receivables is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
0 to 6 months	**537,569**	484,280
Over 6 months	**5,277**	2,758
	542,846	487,038

The carrying amounts of trade receivables approximate to their fair values.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Prepayments		
– Purchase of raw materials	**68,509**	59,914
– Prepaid rental and deposits	**13,574**	14,563
– Others	**4,213**	649
VAT refund receivable	**76,548**	21,835
Other receivables	**24,104**	20,330
	186,948	117,291

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009		31 December 2008	
	Assets *RMB'000*	**Liabilities** *RMB'000*	Assets *RMB'000*	Liabilities *RMB'000*
Forward currency contracts	**33,286**	**–**	96,780	12,960

The carrying amounts of forward currency contracts approximate to their fair values.

Forward currency contracts – cash flow hedges

As at 30 June 2009, the Group held certain forward currency contracts designated as hedges in respect of expected future sales to overseas customers.

The terms of the forward currency contracts have been negotiated to match the terms of the expected future sales. The cash flow hedges relating to expected future sales in the year 2009 and 2010 were assessed to be highly effective.

In addition, the Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to gain of RMB16,162,000 were credited to the income statement during the period (for the six months ended 30 June 2008: loss of RMB57,759,000).

17. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the balance sheet date, based on the invoice date is as follows:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
0 to six months	**587,279**	283,888
6 months to 1 year	**1,854**	2,398
1 year to 2 years	**743**	645
Over 2 years	**148**	38
	590,024	286,969

18. OTHER PAYABLES AND ACCRUALS

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Accrued expenses	**108,365**	139,671
Payables for water use rights	**77,000**	78,000
Payables for purchase of property, plant and equipment	**6,933**	24,995
Guarantee deposits related to construction projects	**19,243**	20,613
Other tax payables	**3,374**	12,349
Customer deposits	**2,000**	2,057
Dividends payable to shareholder of the Company	**158,670**	–
Dividends payable to minority shareholders	**1,057**	587
Other payables	**49,181**	5,726
	425,823	283,998

19. COMMITMENTS

Capital commitment

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Contracted but not provided for:		
– Acquisition of land use rights and property, plant and equipment	**128,358**	142,551
– Construction of property, plant and equipment	**144,823**	24,831
	273,181	167,382

20. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2009 (31 December 2008: Nil).

21. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

(a) Transactions with related parties

The Group had the following significant transactions with its related parties, including directors and their associates and companies controlled by the controlling shareholder, for six months ended 30 June 2009 and 2008:

	For the six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Lease of property, plant and equipment from Ningbo Shenzhou Properties Company Limited ("Shenzhou Properties")*	**3,631**	3,054
Purchase of steam supply from Ningbo Mingyao Environmental Thermal Power Co., Ltd. ("Mingyao Electric Company")**	**16,728**	22,509
Provision of processing services from Ningbo Shenzhou Dagang Knitwear Co. Ltd. ("Shenzhou Dagang")*	**5,260**	4,433
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")***	**14,267**	13,738

* *Shenzhou Properties and Shenzhou Dagang are controlled by the Company's ultimate holding company.*

** *Mingyao Electric Company is owned as to 48% by the Company's ultimate holding company.*

*** *Huaxi Packaging Company is controlled by the relatives of one of the Company's executive director.*

The purchases and lease from the related parties were made according to the published prices and terms offered by the related companies to their major customers.

(b) Balances with related parties

The Group had the following significant balances with its related parties:

	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Due to related parties		
– Trade related		
Huaxi Packaging Company	**3,227**	214
Shenzhou Dagang	**4,171**	–
Shenzhou Properties	**–**	1,154
	7,398	1,368

(c) Key management compensation

	For the six months ended 30 June	
	2009 *RMB'000*	2008 *RMB'000*
Salaries and other short-term employee benefits	**4,434**	4,028
Post-employment benefits	**27**	29
	4,461	4,057

Management Discussion and Analysis

The following management discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes of the Group for the six months ended 30 June 2009 as set out in this interim results announcement.

Business Review

For the six months ended 30 June 2009, the majority of the apparel manufacturers continued to operate under challenging and difficult conditions. Leverage on its solid foundation established over the years, the Group achieved remarkable results and further consolidated its leading position in the industry. The details are as follows:

Accelerating the efforts of energy saving and consumption reduction

The management considers that energy saving and environmental protection take crucial roles in the long-term development of the Group. In introducing the state-of-the-art environmental-friendly facilities, the Group continues to step up the internal management, procedural optimization and facilities upgrade. Over the years, its efforts have turned into fruitful returns. The resource consumption of unit products is falling gradually. For the six months ended 30 June 2009, the sales revenue of the Group grew by 30.8%, whereas the utilities expenses including electricity, steam and water resources only increased by 10%. The Group's efforts in energy saving and consumption reduction are also recognized by the local government. Ningbo Shenzhou Knitting Co., Ltd., the most important wholly-owned subsidiary of the Company ("Shenzhou Knitting") has been accredited as one of the "Advanced Enterprises in Energy Saving and Consumption Reduction in Ningbo City".

Optimizing the structure of production base

The Group has established a new garment plant in Anqing City of Anhui Province in Central China. Since its official commencement of production in the first quarter of 2009, its production capacity has been increasing with approximately 3,000 staff. In order to further improve the living standards of the staff, the Group has begun to establish staff quarters. Another new garment plant in Quzhou City in the western part of Zhejiang Province also commenced its trial production in June 2009 with approximately 1,000 staff. Leverage on the sound structure of the garment production base, the production capacity is enhanced and it is also the Group's long-term arrangement to overcome the cost pressure from the rising labor costs along the coastal regions. The commencement of operation of the two new garment plants has also enabled the Group to lower the turnover of its workers. The Group's new weaving industrial park in the Ningbo Economic Technological Development Zone will also commence production, giving room for the future expansion of production capacity. Meanwhile, it is expected to further lower the logistics costs through the reasonable arrangements between the newly established weaving production base and the warehouse.

Export sales ranked first nationwide

According to the ranking of apparel exporters prepared by China Chamber of Commerce for Import & Export of Textiles based on the statistics released by the Customs of the PRC, with respect to the apparel manufacturers (excluding textiles), the export sales of apparels of Shenzhou Knitting for the year ended 31 December 2008 and for six months ended 30 June 2009 ranked the first nationwide. In order to minimize the impact of the fluctuations of any single market on the Group's operations, the Group has endeavored to expand its sales market worldwide in recent years. For the six months ended 30 June 2009, the Group's sales in its major overseas markets grew by over 30% as compared to that for the six months ended 30 June 2008. On the other hand, after years of development, the Group recorded a sales growth of 40% in Japan, being the Group's most important export market, during the period.

Fast growing momentum seen in lingerie

The Group has made substantial achievements in the adjustment of the product portfolio. Through enriching its product portfolio, the Group provides its customers with a full range of product choices. In addition to a sustained increase in the sales of sports wear, the sales of lingerie also saw speedy growth. The Group endeavors to adopt a growth pattern of diversifying its products and enhancing its product quality so as to expedite the growth of the sales of products through product innovation and quality control.

Operating results of the Group

Revenue

Revenue amounted to RMB2,755,629,000 for the six months ended 30 June 2009, representing an increase of RMB648,551,000 or 30.8% from RMB2,107,078,000 for the six months ended 30 June 2008. The growth was mainly driven by: 1) the speedy development and sales of lingerie in addition to the steady revenue growth of sports wear; 2) the resumption of revenue growth of casual wear as the product portfolio became more balanced; and 3) the further achievements made in respect of the sales expansion in the international markets.

The comparison of the revenue of the Group for the six months ended 30 June 2009 and the six months ended 30 June 2008 by product categories is as follows:

	For the six months ended 30 June					
	2009		2008		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Casual wear	**1,241,065**	**45.0**	954,282	45.3	286,783	30.1
Sports wear	**1,194,043**	**43.3**	952,731	45.2	241,312	25.3
Lingere	**240,132**	**8.7**	121,151	5.7	118,981	98.2
Other knitting products	**80,389**	**3.0**	78,914	3.8	1,475	1.9
Total revenue	**2,755,629**	**100.0**	2,107,078	100.0	648,551	30.8

For the six months ended 30 June 2009, revenue for casual wear amounted to RMB1,241,065,000, representing an increase of RMB286,783,000 or 30.1% from RMB954,282,000 for the six months ended 30 June 2008, mainly due to: 1) the Group's persistent improvement in the quality of casual wear and the shortening of the product delivery period to meet the market needs; and 2) the Group's emphasis on the sales expansion of the high-quality casual wear through effective adjustment in recent years and a more balanced product portfolio.

For the six months ended 30 June 2009, revenue for sports wear amounted to RMB1,194,043,000, representing an increase of RMB241,312,000 or 25.3% from RMB952,731,000 for the six months ended 30 June 2008. The Group continued to accelerate the development of high-end products in adjusting its product portfolio. Thanks to the Beijing Olympics, the sports wear segment grew rapidly for the corresponding period in 2008. Benefiting from the Group's stronger product development capabilities and the integration of the suppliers of certain customers, the Group was able to secure more orders and continued to achieve growth for the period, compared to the corresponding period in 2008.

For the six months ended 30 June 2009, revenue for lingerie amounted to RMB240,132,000, representing an increase of RMB118,981,000 or 98.2% from RMB121,151,000 for the six months ended 30 June 2008. The fast growth of lingerie further enhanced the Group's diversified product portfolio and enriched the Group the product types.

The comparison of the revenue of the Group for the six months ended 30 June 2009 and the six months ended 30 June 2008 by market regions is as follows:

	For the six months ended 30 June					
	2009		2008		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By region						
International sales						
Japan	**1,423,092**	**51.6**	1,016,746	48.3	406,346	40.0
Europe	**388,421**	**14.1**	294,306	14.0	94,115	32.0
The US	**125,019**	**4.5**	93,122	4.4	31,897	34.3
Others	**248,949**	**9.1**	180,127	8.5	68,822	38.2
Sub-total for international sales	**2,185,481**	**79.3**	1,584,301	75.2	601,180	37.9
Domestic sales	**570,148**	**20.7**	522,777	24.8	47,371	9.1
Total revenue	**2,755,629**	**100.0**	2,107,078	100.0	648,551	30.8

Despite the overall overseas demand for apparels for the first half of 2009 remained low, the Group recorded encouraging results in the growth of sales in the overseas markets.

The Group has always placed high importance on Japan, the most crucial single market. Capitalizing on the market expansion efforts over the years, the Group's products are very well-received in Japan with a solid foundation. For the six months ended 30 June 2009, the revenue derived from Japan amounted to RMB1,423,092,000, representing an increase of RMB406,346,000 or 40.0% from RMB1,016,746,000 for the six months ended 30 June 2008.

Benefiting from the efforts of the market diversification strategies in recent years, alongside with the balance of the global market supply and demand of certain customers, the Group recorded satisfactory growth in the sales in other markets in addition to Japan. For the six months ended 30 June 2009, the sales revenue of Europe, the US and other overseas markets grew by 32.0%, 34.3% and 38.2% respectively as compared to that for the six months ended 30 June 2008.

With respect to the domestic market, the Group's sales saw no decrease following the end of the Beijing Olympics. For the six months ended 30 June 2009, the domestic sales grew by 9.1% to RMB570,148,000. In particular, the garment revenue amounted to RMB508,009,000, representing an increase of RMB32,142,000 or 6.8% from RMB475,867,000 for the six months ended 30 June 2008.

Cost of sales and gross profit

The Group's cost of sales for the six months ended 30 June 2009 amounted to approximately RMB1,879,301,000 (six months ended 30 June 2008: RMB1,592,216,000). The gross profit margin of sales of the Group for the six months ended 30 June 2009 was 31.8%, up by approximately 7.4 percentage points as compared with 24.4% for the six months ended 30 June 2008. The main reasons for the increase in the gross profit margin were: 1) the ongoing development of the lean manufacturing within the Group and the increase in orders, which enhanced the utilization rate of the production facilities and lowered the costs of production; 2) the strong support from the nation's policies in favor of the apparel exporters; 3) the hedging gain of RMB77,940,000 (six months ended 30 June 2008: RMB60,163,000) from the USD/RMB forward exchange included in the sales revenue.

Equity attributable to the equity holders of the Company

As at 30 June 2009, the Group's equity attributable to the equity holders of the Company amounted to RMB3,150,366,000 (31 December 2008: RMB2,860,387,000), of which non-current assets amounted to RMB2,761,875,000 (31 December 2008: RMB2,619,575,000), net current assets amounted to RMB476,912,000 (31 December 2008: RMB327,771,000), net non-current liabilities amounted to RMB75,766,000 (31 December 2008: RMB74,373,000) and minority interests amounted to RMB12,655,000 (31 December 2008: RMB12,586,000). The increase in equity attributable to the equity holders of the Company was mainly due to the increase in retained earnings.

Liquidity and financial resources

For the six months ended 30 June 2009, net cash generated from the Group's operating activities amounted to approximately RMB566,383,000 (six months ended 30 June 2008: RMB199,282,000). Net borrowings (bank borrowings less cash and cash equivalents) of the Group as at 30 June 2009 amounted to RMB396,623,000, a decrease by RMB196,078,000 as compared with the net borrowings as at 31 December 2008 of RMB592,701,000.

Cash and cash equivalents of the Group at 30 June 2009 amounted to RMB363,831,000 (31 December 2008: RMB238,141,000). The total amount of outstanding borrowings was RMB760,454,000 (31 December 2008: RMB830,842,000, in which short-term bank loans amounted to RMB766,597,000 and long-term bank loans amounted to RMB64,245,000), in which short-term bank loans amounted to RMB684,688,000 and long-term bank loans amounted to RMB75,766,000. Equity attributable to equity holders of the Company amounted to RMB3,150,366,000 (31 December 2008: RMB2,860,387,000). The Group was in a solid cashflow position, with a debt to equity ratio (total outstanding borrowings as a percentage of equity attributable to the equity holders of the Company) of 24.1% (31 December 2008: 29.0%).

As at 30 June 2009, the majority of borrowings of the Group is subject to interest payable at fixed rates. The Group did not enter into any interest rate swaps to hedge itself against interest rate risks.

Finance costs and tax

For the six months ended 30 June 2009, finance cost decreased to RMB16,537,000 from RMB24,236,000 for the six months ended 30 June 2008, mainly due to the decrease of bank borrowings of the Group and the decrease of benchmark interest rates of RMB loans during the period.

For the six months ended 30 June 2009, income tax expense of the Group increased to RMB113,186,000 from RMB23,507,000 for the six months ended 30 June 2008, mainly because the increase in the income tax rate and the increase in the assessable income.

Pledge of the Group's assets

As at 30 June 2009, the Group's deposits with certain banks amounted to approximately RMB6,650,000 (31 December 2008: nil) were pledged to secure certain trade financing facilities granted by the banks, while plants and land use rights of the Group with a carrying amount of RMB175,618,000 (31 December 2008: RMB179,893,000) as at 30 June 2009 were also pledged to secure a medium to long-term loan facilities of USD21,000,000 granted by the Zhejiang branch of the Export-Import Bank of China. As at 30 June 2009, the Group has borrowed USD11,090,000 (31 December 2008: USD13,000,000) from the aforesaid bank.

Exposure to exchange risks

As the Group's sales were mainly settled in United States Dollars ("USD") while its purchases were mainly settled in RMB, its costs and operating profit margin were subject to exchange rate fluctuations. The Group has adopted a policy to hedge part of its exchange rate risks in light of the existing fluctuations of exchange rate between USD and RMB. The amount to be hedged will depend on the Group's expected USD revenue, purchases and capital expenditure requirements, as well as market forecast of fluctuations in the USD to RMB exchange rate.

To protect itself from reductions in value and the volatility of future cash flows which might be resulted from any exchange rate movement between RMB and USD, the Group has arranged for USD borrowings of an appropriate amount. As at 30 June 2009, out of the total bank borrowings, USD borrowings amounted to RMB290,120,000 (USD42,465,000 based on the original currency) (31 December 2008: RMB208,455,000 (USD30,500,000 based on the original currency)). In addition, the Group entered into forward contracts in order to hedge certain of its foreign exchange risk, particularly the foreign exchange risk relating to USD. As at 30 June 2009, the total amount of the USD forward contracts was approximately USD338,500,000 (31 December 2008: approximately USD273,500,000).

Employment, training and development

As at 30 June 2009, the Group had about 43,470 employees. Total staff costs, including administrative and management staff, amounted to approximately 18.6% (six months ended 30 June 2008: 20.6%) of the Group's revenue during the period. The Group remunerated its staff according to their performances, qualifications and industry practices, and conducted regular reviews of its remuneration policy. Employees would receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Company also offered rewards or other incentives to motivate personal growth and career development of the employees, such as ongoing opportunities for training to enhance their technical and product knowledge as well as their knowledge of industry quality standards. All new staff of the Group are required to attend an introductory course, while there are also various types of training courses available to all the Group's employees.

Capital expenditure and commitments

For the six months ended 30 June 2009, the Group's total investment in properties, plants and equipment and land use rights amounted to approximately RMB262,888,000, of which approximately 49% was used for the acquisition of production equipment and approximately 45% for the construction and acquisition of new factory buildings and land use rights, while the balance was used for the purchase of other fixed assets.

As at 30 June 2009, the Group had contracted capital commitments of approximately RMB273,181,000 in connection with the acquisition and construction of properties, plants and equipment, which will be financed by internal resources and proceeds.

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Future prospects and strategies

The remarkable results achieved over the past years have further reinforced the Group's leading position in the industry. In light of the difficulties and challenges from the financial crisis, the Group will continue to enhance its own integrated competitiveness and capture any opportunities in order to strive for sustainable development under such poor conditions.

Currently, the global economy is yet to recover and the market demand remains weak. The general textile and apparel industry in China is still facing difficult conditions. As a labor intensive industry, it is crucial to alleviating unemployment and safeguarding social stability. The Group believes that, the Chinese government will continue to adopt positive policies to support the textile and apparel industry and the enterprises that attach high importance to environmental protection and switch to high-end transformation will enjoy more benefits in particular.

The Group will continue to place much emphasis on the competitiveness of its products in the end-user consumption markets, meanwhile attract competent candidates, encourage technology innovation and expand R&D investments to accelerate the high-end development of its products and expand the sales markets featuring its product quality. The Group will jointly work with its customers to overcome the unfavorable impacts of the economic crisis.

Given the significant progress in the control of the costs of production, the Group will continue to strengthen and improve the management of lean manufacturing with a view to reduce the resource consumption, enhance the production efficiency and achieve the cost control objectives making reasonable production arrangements. In light of the rising resources price in recent years, the management believes that only by maintaining a leading position in the industry in terms of cost control can an enterprise overcome the various difficulties that arise in the course of operation.

The Group will quickly increase the production efficiency of the two new garment plants in Anqing City of Anhui Province and Quzhou City of Zhejiang Province, while expand its team in due course and fully capitalize on its strengths in the coastal regions and central area. In maintaining its strength of short delivery period, the Group will minimize the cost pressure generated from the rising labor costs.

In addition to expanding its markets worldwide, the Group will step up its expansion in Japan. As the largest PRC apparel provider in Japan, the Group will further expand the market share of its apparel products in Japan by capitalizing on its marketing capabilities accumulated in the development of the Japanese market over the years. Besides, driven by economic growth and its large population, the apparel consumption demand in Mainland China is able to maintain a fast growing momentum. The Group also attaches greater importance to the development of the domestic market.

Amid this economic crisis, the textile and apparel industry in China faces the opportunities from structure adjustment and sector upgrade. Following the industry integration, the leading textile and apparel manufacturers possessing technology, funding and scale strengths will grow stronger. On the other hand, several global apparel retailers have shown its pattern to centralize its procurement from its key suppliers. The hard times will soon be over and the recovery of the economy will bring along growth opportunities. In adherence to its stated strategies, the Group will grow stronger and expand further to become the most competitive apparel manufacturer worldwide, with a view to create the best returns for its shareholders and investors.

DIVIDENDS

At the Company's Annual General Meeting held on 29 May 2009, shareholders approved the payment of a final dividend of HK$0.20 per share for the year ended 31 December 2008 to shareholders whose names appeared on the register of members of the Company at the close of business on 25 May 2009. The cash dividend was paid on 12 June 2009 in cash.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: Nil) and proposes that the profit for the period be retained.

CODE ON CORPORATE GOVERNANCE PRACTICES

On 9 October 2005, the Board approved and adopted its own Code of Corporate Governance, which covered all the code provisions and most of the recommended best practices of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with all the code provisions of the CG Code as set out in the Listing Rules during the six months ended 30 June 2009.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Securities Trading Code"). Upon specific enquiries on this matter, all Directors have confirmed their strict compliance with the relevant provisions of the Securities Trading Code during the period.

The senior management, who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Securities Trading Code.

PURCHASE , SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2009.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The interim report of the Company, which will contain all the information required by the Listing Rules, will be sent to shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company (www.shenzhouintl.com), respectively, in due course.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2009.

BOARD OF DIRECTORS

As at the date of this announcement, the executive directors are Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Mr. Chen Zhongjing and Ms. Zheng Miaohui; and the independent non-executive directors are Mr. Su Shounan, Mr. Zong Pingsheng and Mr. Dai Xiangbo.

By Order of the Board
Shenzhou International Group Holdings Limited
Ma Jianrong
Chairman

Ningbo, 18 August 2009