

管理層討論與分析

Management Discussion and Analysis

以下管理層討論及分析應與本中期報告所載申洲國際集團控股有限公司（「申洲國際」或「本公司」）及其附屬公司（「本集團」）截至二零零六年六月三十日止六個月之未經審核中期財務報表及其附註一併參閱。

業務回顧

截至二零零六年六月三十日止六個月，本集團按既定之發展策略實施各項措施，推進各項業務之發展。具體表現為：

與 UNIQLO 為代表的日本客戶保持緊密合作

自 UNIQLO 通過對本集團柬埔寨制衣工廠的驗廠，從二零零六年四月起本集團開始接受柬埔寨制衣工廠的部分訂單。集團配合 UNIQLO 對供應鏈的策略調整，保障其供應上的穩定性與連續性，並使柬埔寨制衣工廠成為本集團供應 UNIQLO 的另一個重要基地。

運動類服裝所佔比例持續大幅增長

伴隨著與 NIKE、ADIDAS及PUMA等運動品牌客戶訂單的增加，加上雙方的合作層面更趨深入，該等客戶已逐步成為本集團重要的客戶群。此舉有效實現本集團產品、客戶多元化，提升了本集團下一步的發展層面，並降低了單一客戶集中的經營風險。比較截至二零零五年六月三十日止六個月的6.8%，截至二零零六年六月三十日止六個月運動類服裝所佔總銷售額的比例提升至13.2%。

順利拓展中國大陸與歐美市場

建立於本集團與 UNIQLO、NIKE、ADIDAS及PUMA等客戶良好的合作基礎，本集團現時順利拓展與該等客戶在中國大陸及歐美市場的合作。由於該等客戶均已通過對本集團柬埔寨制衣工廠的驗廠；與本集團所取得的歐美紡織品配額，也將充分保障本集團與該等客戶無障礙、更大空間與規模的合作。

配套基礎保障本集團良性、健康地發展

由於本集團及其主要股東單位分別策略性地投資於水資源與熱電供應設施，保障了本集團獲得穩定、充足而且廉價的水源、電力及蒸汽供應，並有效控制及應付該類資源現時及未來持續的價格波動。此外，本集團所擁有的日處理能力達60,000噸的污水處理系統及其運行模式，保障本集團在環保方面沒有後顧之憂。

The following management discussion and analysis should be read in conjunction with the unaudited interim financial statements and the accompanying notes of Shenzhou International Group Holdings Limited (“Shenzhou International” or “the Company”) and its subsidiaries (“the Group”) for the six months ended 30 June 2006 as set out in this interim report.

Business Review

For the six months ended 30 June 2006, the Group carried on various businesses and implemented various measures according to its stated development strategy, details of which are as follows:

Close cooperation with Japanese customers who were represented by UNIQLO

Since UNIQLO completed its inspection of the Group’s garment factory in Cambodia, as from April 2006 the Group has been handling part of its orders at the garment factory in Cambodia, in conjunction with the strategic adjustments in the supply chain of UNIQLO, ensuring the stability and continuity of its supply, and making the garment factory in Cambodia the Group’s another important supply base for UNIQLO.

Continual substantial growth in sports wear

In line with the growth in the orders from and the strengthened co-operation with sports brand customers such as NIKE, ADIDAS and PUMA, these customers have gradually become an influential group of customers of the Group, which enables the Group to diversify its products and customers, enhances further development of the Group, and reduces the operating risk attributable to reliance on an individual customer. For the six months ended 30 June 2006, sports wear contributed to 13.2% of the total sales, compared to 6.8% for the six months ended 30 June 2005.

Smooth expansion of the markets in Mainland China, Europe and the US

Based on cooperation experience between the Group and customers such as UNIQLO, NIKE, ADIDAS and PUMA, the Group is expanding a cooperative relationship with these customers on the markets of Mainland China, Europe and the US. Since these customers have all completed inspection of the Group’s garment factory in Cambodia, and the Group has obtained its European and American textile quota, cooperation with these customers can be carried out at a larger scale to explore more possibilities.

Ancillary facilities ensure sound and healthy development of the Group

Strategic investments in water supply and thermal power supply facilities by the Group and its substantial shareholder ensure stable and sufficient supply of water, electricity and steam at low costs and effective management of current and future price fluctuations of these resources. Besides, the Group’s ownership of a waste water treatment system which is capable of processing up to 60,000 tonnes of waste water daily, as well as its operating model ensure that the Group is well catered for in terms of environmental protection, both now and in the future.

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產品品質持續提升

NIKE、ADIDAS及PUMA等知名運動品牌客戶對本集團產品品質要求極高，與本集團持續提升產品品質的願望，相輔相成、相得益彰，促成本集團從各個工序不斷提升產品品質的成效，並奠定良好的基礎。

集團經營業績

銷售額

銷售額由截至二零零五年六月三十日止六個月的人民幣1,081,493,000元，增至截至二零零六年六月三十日止六個月的人民幣1,390,177,000元，增加了人民幣308,684,000元，增幅達28.5%。增長因素主要為：1) 日本的客戶需求隨著日本本土經濟反彈而增加；2) 來自運動類服裝銷售額的快速上升；以及3) 成功開拓歐洲市場所得的成效。

以下為本集團截至二零零六年六月三十日止六個月及截至二零零五年六月三十日止六個月按產品類別分析的銷售額比較：

		截至六月三十日止六個月					
		二零零六年		二零零五年		變動	
		2006		2005		Change	
		人民幣千元	%	人民幣千元	%	人民幣千元	%
		RMB'000		RMB'000		RMB'000	
按產品	By product						
休閒類服裝	Casual wear	1,147,514	82.5	935,616	86.5	211,898	22.6
運動類服裝	Sports wear	183,168	13.2	73,116	6.8	110,052	150.5
其他針織品	Other knitting products	59,495	4.3	72,761	6.7	(13,266)	(18.2)
銷售額總計	Total sales	1,390,177	100.0	1,081,493	100.0	308,684	28.5

截至二零零六年六月三十日止六個月，運動類服裝所佔比例大幅度提高，主要得益於本集團為 NIKE、ADIDAS 及 PUMA 等知名運動品牌代工的業務大幅增加。比較截至二零零五年六月三十日止六個月的6.8%，截至二零零六年六月三十日止六個月的運動類服裝所佔總銷售額的比例持續提升至13.2%。

休閒類服裝銷售額由截至二零零五年六月三十日止六個月的人民幣935,616,000元，增至截至二零零六年六月三十日止六個月的人民幣1,147,514,000元，增加了人民幣211,898,000元，增幅達22.6%。其主要增長為UNIQLO、Decathlon等客戶對本集團的採購量增加。

Enhancement of product quality

The high requirement imposed on the products of the Group by well-known sports brand customers such as NIKE, ADIDAS and PUMA, is in line with the plan of the Group to continue enhancing the quality of its products, and has resulted in a synergy that facilitates ongoing enhancement of its product quality through various processes, and has established a good foundation.

Operating results of the Group

Sales

Sales for the six months ended 30 June 2005 amounted to RMB1,081,493,000, and increased to RMB1,390,177,000 for the six months ended 30 June 2006, an increase of RMB308,684,000 or 28.5%. The growth was mainly driven by: 1) increase in the demand from Japanese customers in line with the rebounds of the Japanese domestic economy; 2) sharp increase in the sales of sports wear; and 3) successful business expansion in the European market.

Sales of the Group analysed by product categories for the six months ended 30 June 2006 and the six months ended 30 June 2005 are compared as follows:

For the six months ended 30 June 2006, the substantial increase in the contribution from sports wear was mainly due to a substantial increase in OEM manufacturing for renowned sports brands such as NIKE, ADIDAS and PUMA. Sports wear accounted for 13.2% of the total sales for the six months ended 30 June 2006, representing a continual increase compared to 6.8% for the six months ended 30 June 2005.

For the six months ended 30 June 2005, sales from casual wear amounted to RMB935,616,000, which increased to RMB1,147,514,000 for the six months ended 30 June 2006, an increase of RMB211,898,000 or 22.6%, mainly due to an increase in the purchases from the Group's customers such as UNIQLO and Decathlon.

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以下為本集團截至二零零六年六月三十日止六個月及截至二零零五年六月三十日止六個月按市場劃分的銷售額比較：

Sales of the Group analysed by regions for the six months ended 30 June 2006 and the six months ended 30 June 2005 are compared as follows:

		截至六月三十日止六個月 For the six months ended 30 June				變動 Change	
		二零零六年 2006		二零零五年 2005		人民幣千元 RMB'000	
		人民幣千元 RMB'000	%	人民幣千元 RMB'000	%	人民幣千元 RMB'000	%
按市場	By region						
國際銷售	International sales						
日本	Japan	1,078,259	77.6	920,060	85.1	158,199	17.2
歐洲	Europe	160,404	11.5	60,803	5.6	99,601	163.8
美國	U.S.	35,029	2.5	42,480	3.9	(7,451)	(17.5)
其他國家	Others	49,230	3.6	9,162	0.9	40,068	437.3
國際銷售小計	Sub-total for international sales	1,322,922	95.2	1,032,505	95.5	290,417	28.1
國內銷售	Domestic sales	67,255	4.8	48,988	4.5	18,267	37.3
銷售額總計	Total sales	1,390,177	100.0	1,081,493	100.0	308,684	28.5

截至二零零六年六月三十日止六個月，歐洲市場所佔比例得以提高，其主要原因在於自二零零六年一月一日起，本集團所獲取的歐盟紡織品配額較大，本集團歐洲採購商 Decathlon 的採購量持續增長所致。比較截至二零零五年六月三十日止六個月的5.6%，截至二零零六年六月三十日止六個月歐盟市場佔本集團總銷售額為11.5%。

For the six months ended 30 June 2006, the increase in the contribution from the European markets was mainly attributable to the larger EU textile quota acquired by the Group from 1 January 2006, and the continual increase in the purchases made by Decathlon, the Group's European merchandiser. The EU accounted for 11.5% of the Group's total sales for the six months ended 30 June 2006, compared to 5.6% for the six months ended 30 June 2005.

於截至二零零六年六月三十日止六個月，國內銷售中，成衣銷售額為人民幣28,663,000元(截至二零零五年六月三十日止六個月：人民幣16,544,000元)，主要為 UNIQLO、NIKE及ITOCHU 等客戶提供產品於國內銷售。

Domestic sales of normal garments amounted to RMB28,663,000 for the six months ended 30 June 2006 (Six months ended 30 June 2005: RMB16,544,000), mainly supplying products for customers such as UNIQLO, NIKE and ITOCHU for domestic sale.

銷售成本及毛利率

Cost of sales and gross profit margin

本集團截至二零零六年六月三十日止六個月的銷售成本約為人民幣1,079,164,000元(截至二零零五年六月三十日止六個月：人民幣822,167,000元)。截至二零零六年六月三十日止六個月本集團銷售毛利率為22.4%，較截至二零零五年六月三十日止六個月的24%降低約1.6%。毛利率降低的主要原因是為應對運動類服裝客戶預期於二零零六年下半年及二零零七年業務的較大幅度增加而招聘較多員工，該些員工大部分需經歷上崗培訓與實習期，產出量於該期間未達至相應規模，而增加單位人工成本所致。

Cost of sales for the six months ended 30 June 2006 amounted to approximately RMB1,079,164,000 (Six months ended 30 June 2005: RMB822,167,000). The gross profit margin of the Group's sales for the six months ended 30 June 2006 was 22.4%, approximately 1.6% lower as compared to 24% for the six months ended 30 June 2005. The main reason for the decline in the gross profit margin was that more staff had been recruited to handle the expected increase in the business of sports wear customers for the second half of 2006 and the whole year of 2007, and most of these staff need to undergo an induction and apprenticeship period, during which production capacity has not been up to scale, and labour cost per unit has been increased.

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本公司股權持有人應佔權益

於二零零六年六月三十日，本公司股權持有人應佔本集團權益為人民幣1,865,680,000元（二零零五年十二月三十一日：人民幣1,702,022,000元）。其中非流動資產為人民幣1,538,541,000元（二零零五年十二月三十一日：人民幣1,330,951,000元）、流動資產淨值為人民幣339,877,000元（二零零五年十二月三十一日：人民幣383,223,000元）及少數股東權益為人民幣12,738,000元（二零零五年十二月三十一日：人民幣12,152,000元）。本公司股權持有人應佔權益增加主要由於保留盈利增加所致。

流動資金及財務資源

截至二零零六年六月三十日止六個月，本集團經營業務所得現金淨額約為人民幣282,959,000元（截至二零零五年六月三十日止六個月：人民幣66,929,000元）。本集團於二零零六年六月三十日之借貸淨額（銀行借貸減現金及現金等價物）為人民幣42,389,000元，二零零五年十二月三十一日之現金淨額為人民幣1,064,000元，現金淨額減少了人民幣43,453,000元，主要原因是為了進一步提高產能以滿足訂單上升的需求，而對廠房、設備等的資金投入增加。

本集團於二零零六年六月三十日的現金及現金等價物為人民幣391,025,000元（二零零五年十二月三十一日：人民幣559,801,000元），總借貸餘額為人民幣433,414,000元（二零零五年十二月三十一日：人民幣558,737,000元），均為短期貸款。本公司股權持有人應佔權益為人民幣1,865,680,000元（二零零五年十二月三十一日：人民幣1,702,022,000元）。本集團現金流動狀況良好。負債對權益比率（按未償還總借貸佔本公司股權持有人應佔權益百分比計算）為23.2%（二零零五年十二月三十一日：32.8%）。

於二零零六年六月三十日，本集團主要借貸均按固定利率計息。本集團並無利用利率掉期來對沖利率風險。

融資成本及稅項

於截至二零零六年六月三十日止六個月，融資成本從截至二零零五年六月三十日止六個月之人民幣23,673,000元，大幅減少至人民幣7,984,000元，主要原因是按照上市所得款項用途計劃，部分上市所得款項及本期經營活動產生的現金償還了銀行借款，使本集團的借款金額顯著下降。

Equity attributable to the Company's equity holders

At 30 June 2006, the Group's equity attributable to the Company's equity holders is RMB1,865,680,000 (31 December 2005: RMB1,702,022,000) of which non-current assets were RMB1,538,541,000 (31 December 2005: RMB1,330,951,000), net current assets were RMB339,877,000 (31 December 2005: RMB383,223,000) and minority interests were RMB12,738,000 (31 December 2005: RMB12,152,000). The increase in equity attributable to the Company's equity holders was mainly due to the increase in retained profits.

Liquidity and financial resources

For the six months ended 30 June 2006, net cash generated from the Group's operating activities amounted to approximately RMB282,959,000 (Six months ended 30 June 2005: RMB66,929,000). Net borrowings (bank borrowings less cash and cash equivalents) of the Group as at 30 June 2006 amounted to RMB42,389,000. Net cash as at 31 December 2005 amounted to RMB1,064,000. Net cash decreased by RMB43,453,000, mainly due to increased investment into plant and equipment, etc. in order to further improve production capabilities to satisfy the needs of an increase in orders.

Cash and cash equivalents of the Group at 30 June 2006 amounted to RMB391,025,000 (31 December 2005: RMB559,801,000). The total amount of outstanding borrowings was RMB433,414,000 (31 December 2005: RMB558,737,000), all being short-term loans. Equity attributable to equity holders of the Company amounted to RMB1,865,680,000 (31 December 2005: RMB1,702,022,000). 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 Company's equity holders) of 23.2% (31 December 2005: 32.8%).

At 30 June 2006, majority of the borrowings of the Group were subject to interests payable at fixed rates. The Group did not enter into any interest rate swaps to hedge itself against the risks associated with interest rates.

Finance costs and taxation

For the six months ended 30 June 2006, finance cost decreased substantially to RMB7,984,000 from RMB23,673,000 for the six months ended 30 June 2005, mainly due to utilization of part of the proceeds from the listing and the cash generated from operating activities for this period in repayment of bank borrowings (in accordance with the plans on the use of proceeds from the listing), and this has resulted in a significant decrease in the borrowings of the Group.

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於截至二零零六年六月三十日止六個月，集團的所得稅支出從截至二零零五年六月三十日止六個月之人民幣2,220,000元，大幅增加至人民幣15,919,000元。主要原因是本公司主要附屬公司寧波申洲針織有限公司二零零五年為免稅期最後一年，二零零六年開始執行「減半」的企業所得稅優惠政策，從而導致本集團整體稅負增加所致。

本集團之資產抵押

於二零零六年六月三十日，除本集團合共人民幣22,341,000元（二零零五年十二月三十一日：人民幣2,310,000元）存放於若干銀行的存款作為銀行授出若干貿易融資信貸之抵押外，本集團並無以本集團任何資產作為其銀行借貸之抵押。

本公司首次公開售股所得款項之用途

本公司於二零零五年十一月在香港聯合交易所有限公司（「聯交所」）主板上市時發行新股之所得款項，在扣除相關股份發行開支後約為856,000,000港元。此等所得款項部份已於上市日後至二零零六年六月三十日止期間按照本公司於二零零五年十一月十五日刊發之售股章程（「售股章程」）所載之建議用途動用，載列如下：

- 約47,806,000港元（約人民幣49,728,000元）用作本集團在中國生產設施購置新染整設備；
- 約26,160,000港元（約人民幣27,211,000元）用作在中國生產主要用於運動服裝的功能性面料購置新廠房及設備；
- 約39,635,000港元（約人民幣41,229,000元）用作本集團在中國生產設施購置新織造設備；
- 約51,000,000港元（約人民幣53,050,000元）用作本集團在中國生產設施購置新裁剪與縫紉設備；
- 約305,000,000港元（約人民幣317,261,000元）用作償還本集團部份長期銀行借貸；及
- 約48,000,000港元（約人民幣49,930,000元）用作本集團之額外一般營運資金。

於二零零六年六月三十日餘下之所得款項淨額約338,399,000港元，已存放於香港及國內作為銀行存款。董事擬按售股章程所披露之方式使用該筆所得款項淨額。

For the six months ended 30 June 2006, income tax expense of the Group substantially increased to RMB15,919,000 from RMB2,220,000 for the six months ended 30 June 2005, mainly because the year 2005 was the last year in which Ningbo Shenzhou Knitwear Co., Ltd., the Company's major subsidiary, was exempted from taxation. The "50% reduction" preferential income tax policy has been implemented from the year 2006, and this caused an overall increase in taxation for the Group.

Pledge of the Group's assets

At 30 June 2006, other than deposits with certain banks with a total amount of RMB22,341,000 (31 December 2005: RMB2,310,000) pledged as securities for certain trade financing facilities granted by the banks, the Group did not pledge any of the Group's assets for its bank borrowings.

Use of proceeds from the initial public offering

Proceeds from the issue of new shares of the Company for listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in November 2005, after deducting related issue expenses therefrom, amounted to approximately HK\$856 million. During the period from the date of listing to 30 June 2006, part of such proceeds had been utilized in accordance with the proposed use of proceeds as set out in the prospectus of the Company dated 15 November 2005 (the "Prospectus"), as follows:

- approximately HK\$47,806,000 (approximately RMB49,728,000) for the acquisition of new dyeing and finishing equipment for the Group's production facilities in China;
- approximately HK\$26,160,000 (approximately RMB27,211,000) for the acquisition of new plant and equipment in China for the production of functional fabrics mainly used in sports wear;
- approximately HK\$39,635,000 (approximately RMB41,229,000) for the acquisition of new weaving and knitting equipment for the Group's production facilities in China;
- approximately HK\$51,000,000 (approximately RMB53,050,000) for the acquisition of new cutting and sewing equipment for the Group's production facilities in China;
- approximately HK\$305,000,000 (approximately RMB317,261,000) for partial repayment of the Group's long-term bank borrowings; and
- the balance of approximately HK\$48,000,000 (approximately RMB49,930,000) as additional general working capital of the Group.

As at 30 June 2006, the balance of the net proceeds of approximately HK\$338,399,000 had been deposited with banks in Hong Kong and China. The Directors intend to utilize such net proceeds in the manner disclosed in the Prospectus.

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外匯風險

由於本集團銷售以美元結算為主，採購以人民幣結算為主，滙率波動對本集團的成本及經營利潤率構成一定影響。本集團針對美元兌人民幣的滙率波動的現狀，採用相應政策對沖部份有關外滙風險。對沖金額視乎本集團預期的美元收益、採購、資本開支，還需要顧及市場預測美元兌人民幣的滙率波動而定。

為免因人民幣兌美元的滙率出現任何變動導致日後的現金流量減值及出現波動，本集團已安排了適當數量的美元借款，於二零零六年六月三十日，銀行借貸總額中，美元借款為人民幣163,414,000元（計原幣金額為20,438,000美元）（二零零五年十二月三十一日：人民幣38,737,000元（計原幣金額為4,800,000美元））。

僱用、培訓及發展

於二零零六年六月三十日，本集團共僱用逾27,000名員工。期內，員工成本（包括管理及行政人員）總額佔本集團銷售額約18.9%（截至二零零五年六月三十日止六個月：18%）。本集團按僱員的表現、資歷及行業慣例釐定給予員工的報酬，而酬金政策會定期檢討。根據年度工作表現評核，僱員或會獲發放花紅及獎金。此外，本集團亦會給予僱員獎勵或其他形式的鼓勵以推動僱員個人成長及事業發展。如本集團持續向員工提供培訓，以提升彼等的技術、產品知識以及對行業品質標準的認識及本集團所有新員工均須參加入門課程，而全體員工亦可參加各類培訓課程。

資本開支及資本承擔

於截至二零零六年六月三十日止六個月內，本集團於固定資產之投資約為人民幣275,357,000元，其中約69%用作購買廠房及設備、約27%用作興建新工廠大樓，而餘款則用作購買其他固定資產。

於二零零六年六月三十日，本集團已訂約購建的物業、廠房和設備之資本承擔約達人民幣198,758,000元。以首次公開售股所得款項及內部資源所得款項淨額撥付。

或然負債

於二零零六年六月三十日，本集團概無任何重大或然負債。

Exposure to exchange risks

As the Group's sales were mainly settled in United States Dollars ("USD") whilst its purchases were mainly settled in RMB, its costs and operating profit margin were subject to exchange rate fluctuations. The Group adopted a policy to hedge part of its exchange rate risks in light of existing fluctuations of the exchange rate between USD and RMB. The amount to be hedged would 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 against reductions in value and the volatility of future cash flows which might result from any exchange rate movement between RMB and USD, the Group had arranged for USD borrowings of an appropriate amount. As at 30 June 2006, out of the total bank borrowings, USD borrowings amounted to RMB163,414,000 (USD20,438,000 based on the original currency) (31 December 2005: RMB38,737,000 (USD4,800,000 based on the original currency)).

Employment, training and development

At 30 June 2006, the Group had over 27,000 employees. Total staff costs, including administrative and management staff, amounted to approximately 18.9% (Six months ended 30 June 2005: 18%) of the Group's sales 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 awards based on their ratings in annual performance appraisals. The Group 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 members of the Group were required to attend an introductory course. There were also various types of training courses available to all of the Group's employees.

Capital expenditure and commitments

For the six months ended 30 June 2006, the Group's investment in fixed assets amounted to approximately RMB275,357,000, of which approximately 69% was used for the acquisition of plant and equipment and approximately 27% was used for the construction of new factory buildings, and the balance was used for the purchase of other fixed assets.

At 30 June 2006, the Group had capital commitments of approximately RMB198,758,000 in connection with the acquisition and construction of properties, plants and equipment, which will be financed by IPO proceeds and internal resources.

Contingent liabilities

At 30 June 2006, the Group had no significant contingent liabilities.

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未來前景及策略

申洲國際管理層深深感受到，完整且充分整合的縱向一體化工序是穩固現有日本客戶，並對 NIKE、ADIDAS、PUMA 及其他優質客戶產生吸引力的重要因素。因此，本集團將基於與該等客戶的合作規劃，持續提升各工序配套的生產能力，並進一步優化生產工藝，提高營運效率，加強成本控制措施，縮短交貨期，以進一步提升綜合競爭力。

本集團亦將按客戶之需要不斷提升柬埔寨制衣工廠的生產與綜合服務能力，逐步形成中國大陸與柬埔寨二個具互補性質的生產基地，保證重要客戶不受地域、政治、經濟、匯率、政策等影響，保障其產品供應上的穩定性。

申洲國際管理層深知，本集團過往成功的基石在於擁有一個穩固的日本市場。因此，日本將仍然是本集團的主要市場，本集團將進一步鞏固並持續發展該市場。

憑藉二零零八年北京奧運會這個國際體壇盛事之機遇，本集團將繼續提高運動類服裝的銷售額與銷售比例。本集團將採取為知名運動名牌客戶設立專用廠區等措施，全面提升與該等客戶的合作層面，建立更牢固的戰略合作關係。

隨著低端紡織服裝產品部分轉移至東南亞、南亞國家生產的同時，中國佔全球中高端紡織服裝市場比例亦呈快速上升態勢，而本集團部分客戶亦對產品有進一步高檔化、精品化要求。為應對此一趨勢，本集團將進一步加強研發能力，並在各個工序進一步提高其處理高品質、短交貨期，同時利潤率也較高的小規模訂單的能力。

本集團洞悉服裝業的發展前景及巨大的服裝代工市場，將致力於發展針織服裝的代工業務，努力做強做大，成為全球最具競爭力的針織服裝代工製造商，為股東和投資者創造可觀的回報。

Future prospects and strategies

The management of Shenzhou International is of the view a complete and vertically integrated production process is a major factor in stabilizing the relationship with existing Japanese customers and attracting NIKE, ADIDAS, PUMA and other quality customers. Therefore, based on the existing relationships with these customers, the Group will continue to enhance the production capabilities of various ancillary processes. The Group will also further enhance the process standards, improve the operating efficiency, strengthen cost control measures, and shorten the delivery schedules, in order to further improve the overall competitiveness.

The Group will also focus on customer needs and continually upgrade the production and consolidated servicing capabilities of the garment factory in Cambodia, to gradually come up with two production bases in Mainland China and Cambodia which are mutually supplemental, ensuring important customers are protected from impacts from the region, politics, economy, exchange rate, policy, etc., and guaranteeing the stability of product supply.

As far as the management of the Company is aware, the Group's past success was built upon the foundation of a stable Japanese market. Therefore, Japan will remain an important market for the Group, to be further strengthened and continuously developed.

The Group will seize upon the opportunity presented by the major sports event of the 2008 Olympics in Beijing, and continue to increase the sales and the sales proportion of sports wear, and adopt an approach to designate plants for the exclusive use of well-known sports brand customers, in order to fully enhance the level of co-operation, and to build a stronger strategic co-operative relationship with these customers.

In line with the move to relocate the production of certain low-end textile products to South East Asia and South Asia, global high-end textile market share attributable to China presented a sharp increase, and some of the Group's customers had also expressed their requirement for products to be of a higher quality and further refinement. In view of this trend, the Group will further strengthen its research and development capabilities, and further improve the capabilities of various work processes to handle small orders of high quality, short delivery schedule, and higher profit margin.

In view of the development prospects of the apparel industry and the enormous apparel OEM market, the Group will focus on the knitwear OEM business and strive to become the world's most competitive knitwear manufacturer in this sector through ongoing consolidation and expansion efforts, generating substantial returns for our shareholders and investors.