

**SHENZHOU INTERNATIONAL GROUP HOLDINGS LTD:
SO FAR, SO GOOD**

A 6-Year Old Company Becomes A Major Knitwear Force

It does not seem to happen too often, these days, but on occasions, it does happen: A publicly listed company, domiciled in the People's Republic of China (PRC), after going public in the Hongkong Special Administrative Region (HKSAR) of the PRC, comes good – and even gets better.

This would appear to be the situation in respect of Shenzhou International Group Holdings Ltd () (Code: 2313, Main Board, The Stock Exchange of Hongkong Ltd), a company which went public in the HKSAR on November 15, 2005, about 8 months ago.

In its first comprehensive report since the pitching of its **Initial Public Offering (IPO)** in the HKSAR, Shenzhou International announced that, for the Financial Year, ended December 31, 2005, it turned in a Net Profit Attributable to Shareholders of about 353.35 million renminbi (about \$HK339.76 million) on a Turnover of about 2.48 billion renminbi (about \$HK2.38 billion).

Year-On-Year, the Bottom Line was a reduction of nearly 40 percent, but the 2004-Year's financial results were boosted by about 303.77 million renminbi (about \$HK292.09 million) due to a one-off gain on the disposal of some land-use rights and buildings in the PRC, proper, as opposed to the HKSAR of the PRC.

Note 25 at Page 109 of the 2005 Annual Report of Shenzhou International explains:

'During the year ended 31 December 2004, the Group disposed of certain land use rights and buildings in Ningbo City of Zhejiang Province, Mainland China with net book amount of approximately RMB12,189,000 and RMB65,874,000, respectively, to a third party at an aggregated cash consideration of approximately RMB381,832,000, and recognised a gain of approximately RMB303,769,000'

After the elimination of the above, non-recurrent gains on the disposal of the land-use rights and some buildings, it would appear that the 2005 Operating Profit of Shenzhou International came in at about 408,945,000 renminbi (about \$HK393,216,346) which was an increase, Year-On-Year, of about 71.86 million renminbi (about \$HK69.10 million), or about 21.32 percent, compared with the 2004-Year's Operating Profit of about 337,091,000 renminbi (about \$HK324,125,000).

While the Bottom Line must be considered more than reasonable, especially for a company, which is engaged in the production of knitwear, it is noted that financing costs between the 2004-Year and the 2005-Year rose dramatically, from about 20.35 million renminbi to about 53.16 million (from about \$HK19.57 million to about \$HK51.12 million).

The Company's high debt load was one of the worrying factors, which was very evident when Shenzhou International went public, last November.

As at September 30, 2005, total borrowings of Shenzhou International stood at about 1,039.30 million renminbi (about \$HK999.33 million).

All of the Company's borrowings were unsecured.

As is quite obvious, at this point, considering that the 2004 Turnover was about 2.12 billion renminbi (about

\$HK2.04 billion), borrowings of about 1,039.30 million renminbi is a sizeable debt load to carry.

And, with ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which
they have read in **TARGET**, please feel free to e-mail your views to
editor@targetnewspapers.com. **TARGET** does not guarantee to publish
readers' views, but reserves the right so to do subject to the laws of libel.*