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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 2013

HIGHLIGHTS

- Sales for the six months ended 30 June 2013 amounted to RMB4,772,638,000, representing an increase of 9.5% when compared with the corresponding period of 2012.
- Percentage of sports goods sales to total sales was approximately 56.9% for the six months ended 30 June 2013. Revenue from sale of sports goods increased by approximately 6.4% when compared with the corresponding period of the previous year.
- Percentage of lingerie sales to total sales was approximately 14.0% for the six months ended 30 June 2013. Revenue from sale of lingerie increased significantly by approximately 63.5% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2013 amounted to RMB1,375,023,000, an increase of 6.6% when compared with the corresponding period of 2012. Gross profit ratio decreased by 0.8 percentage point to 28.8%.
- Net profit for the six months ended 30 June 2013 amounted to RMB920,962,000, an increase of approximately 11.3% when compared with the corresponding period of 2012.
- Earnings per share were RMB0.69, representing an increase of approximately 6.2% from RMB0.65 for the corresponding period last year.

* *for identification purposes only*

The board (the "Board") of directors (the "Directors") 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 (collectively, the "Group") for the six months ended 30 June 2013, together with the comparative amounts for the corresponding period of 2012. The interim results and interim financial statements have not been audited but have been reviewed by the Company's audit committee.

INTERIM CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		Unaudited For the six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**4,772,638**	4,358,808
Cost of sales	*5*	**(3,397,615)**	(3,068,940)
Gross profit		**1,375,023**	1,289,868
Other income and gains	*6*	**227,399**	111,946
Selling and distribution costs	*5*	**(60,335)**	(62,733)
Administrative expenses	*5*	**(346,009)**	(286,522)
Other expenses	*7*	**(9,070)**	(601)
Finance costs	*8*	**(5,611)**	(15,369)
PROFIT BEFORE TAX		**1,181,397**	1,036,589
Income tax expense	*9*	**(260,435)**	(209,043)
Profit for the period		**920,962**	827,546
Attributable to:			
Owners of the parent		**920,461**	826,833
Non-controlling interests		**501**	713
		920,962	827,546
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
– Basic		**RMB0.69**	RMB0.65
– Diluted		**N/A**	N/A

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		Unaudited For the six months ended 30 June	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Profit for the period		**920,962**	827,546
Other comprehensive income			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the period		**11,831**	(8,611)
Reclassification adjustments for gains recognised in consolidated income statement		**(8,990)**	(36,453)
		2,841	(45,064)
Exchange differences on translation of foreign operations		**(13,754)**	1,807
Other comprehensive income for the period, net of tax		**(10,913)**	(43,257)
Total comprehensive income for the period		**910,049**	784,289
Attributable to:			
Owners of the parent		**909,548**	783,576
Non-controlling interests		**501**	713
		910,049	784,289

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	**Unaudited 30 June 2013 RMB'000**	Audited 31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**3,411,895**	3,314,100
Prepaid land lease payments	*12*	**566,970**	539,275
Intangible assets	*12*	**102,948**	105,074
Deferred tax assets		**7,922**	9,058
Total non-current assets		**4,089,735**	3,967,507
CURRENT ASSETS			
Inventories	*13*	**2,267,502**	1,924,435
Trade and bills receivables	*14*	**1,462,012**	1,397,759
Prepayments, deposits and other receivables	*15*	**496,988**	330,435
Bank deposits with initial term of over three months		**272,174**	130,868
Cash and cash equivalents		**2,747,842**	2,144,405
Total current assets		**7,246,518**	5,927,902
CURRENT LIABILITIES			
Trade and bills payables	*17*	**445,925**	397,099
Advance from customers		**8,295**	4,939
Other payables and accruals	*18*	**322,922**	431,779
Derivative financial instruments	*16*	**–**	9,550
Interest-bearing bank and other borrowings		**904,290**	786,226
Amounts due to related parties	*21c*	**1,139**	3,288
Tax payable		**180,022**	140,394
Total current liabilities		**1,862,593**	1,773,275

	Notes	Unaudited 30 June 2013 *RMB'000*	Audited 31 December 2012 *RMB'000*
NET CURRENT ASSETS		**5,383,925**	4,154,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,473,660**	8,122,134
Net assets		**9,473,660**	8,122,134
EQUITY			
Equity attributable to owners of the parent			
Share capital		**142,105**	136,609
Reserves		**9,316,584**	7,195,906
Proposed final dividend		**–**	754,855
		9,458,689	8,087,370
Non-controlling interests		**14,971**	34,764
Total equity		**9,473,660**	8,122,134

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of knitwear products.

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 26 August 2013.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 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 (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3. ACCOUNTING POLICIES

New standards, interpretations and amendments adopted by the Group

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 consolidated financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

The Group applies, for the first time, certain standards and amendments, including HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKAS 19 (Revised 2011) Employee Benefits, HKFRS 13 Fair Value Measurement and amendments to HKAS 1 Presentation of Financial Statements. As required by HKAS 34, the nature and the effect of these changes are disclosed below. In addition, the application of HKFRS 12 Disclosure of Interest in Other Entities would result in additional disclosures in the annual consolidated financial statements.

Several other new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

The nature and the impact of each new standard/amendment is described below:

HKAS 1 Presentation of Items of Other Comprehensive Income – Amendments to HKAS 1

The amendments to HKAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Group's financial position or performance.

HKAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the 'third balance sheet') must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes. Under HKAS 34, the minimum items required for interim condensed financial statements do not include a third balance sheet.

HKAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 Income Taxes. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

HKAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in HKAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in HKFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group.

HKAS 19 Employee Benefits (Revised 2011) (HKAS 19R)

HKAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation; and unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group.

HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to HKFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32. As the Group is not setting off financial instruments in accordance with HKAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

HKFRS 10 Consolidated Financial Statements and HKAS 27 Separate Financial Statements

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities. HKFRS 10 replaces the parts of previously existing HKAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in HKFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. HKFRS 10 had no impact on the consolidation of investments held by the Group.

HKFRS 11 Joint Arrangements and HKAS 28 Investment in Associates and Joint Ventures

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Ventures. HKFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under HKFRS 11 must be accounted for using the equity method. HKFRS 11 is effective for annual periods beginning on or after 1 January 2013. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance under HKFRS for all fair value measurements. HKFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under HKFRS when fair value is required or permitted. The application of HKFRS 13 has not materially impacted the fair value measurements carried out by the Group.

HKFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including HKFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by HKAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements period.

In addition to the above-mentioned amendments and new standards, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards was amended with effect for reporting periods starting on or after 1 January 2013. The Group is not a first-time adopter of HKFRS, therefore, this amendment is not relevant to the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and there is one reportable operating segment: the manufacture and sale of knitwear products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

In the opinion of the directors, majority of the revenue was generated from customers which located world-wide locations, and therefore, the disclosure of location of customers in the condensed consolidated financial statements would not be meaningful.

97% of the non-current assets of the Group were located in the People's Republic of China ("PRC") as at 30 June 2013 (as at 31 December 2012: 99%).

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's total revenue are as follows:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Customer A	**1,202,667**	816,447
Customer B	**1,064,576**	1,064,210
Customer C	**866,332**	766,621
Customer D	**542,015**	356,580
	3,675,590	3,003,858

5. EXPENSES BY NATURE

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

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**1,104,977**	904,035
Retirement benefit contributions	**53,221**	30,673
Other benefits	**36,747**	33,850
	1,194,945	968,558
Depreciation, amortisation and impairment expenses	**199,271**	175,805
Changes in inventories of finished goods and work in progress	**(411,369)**	(67,375)
Raw materials and consumables utilized	**2,332,989**	1,922,455
Utilities expenses	**255,768**	223,191
Outsourcing	**42,103**	18,327
Operating lease expenses for properties	**29,923**	18,962
Transportation expenses	**24,553**	23,032
Donation	**16,318**	548
Office expenses	**16,220**	17,925
Commission	**9,869**	14,064
Entertainment expenses	**9,770**	8,692
Traveling expenses	**4,142**	3,416
Inspection fees	**3,213**	8,895
Other expenses	**76,244**	81,700
Total cost of sales, selling and distribution costs and administrative expenses	**3,803,959**	3,418,195

6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Other income		
Government incentives	**221,021**	89,107
Bank interest income	**16,126**	15,969
Rental income	**8,911**	–
	246,058	105,076
Gains		
Exchanges gains/(loss), net	**(18,659)**	6,870
	227,399	111,946

7. OTHER EXPENSES

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**4,234**	601
Rental cost	**4,836**	–
	9,070	601

8. FINANCE COSTS

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**5,611**	15,369

9. INCOME TAX

The major components of income tax for the six months ended 30 June 2013 and 2012 are:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**16,710**	28,176
Current Mainland China corporate income tax ("CIT")	**243,207**	181,548
Deferred taxation	**518**	(681)
	260,435	209,043

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 on 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 a rate of 16.5% (for the six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong.

The subsidiaries incorporated in the British Virgin Islands ("BVI") are not subject to income tax as these subsidiaries do not have a place of business (other than a registered office only) or carry on any business in the BVI. Accordingly, Top Always Investments Limited ("Top Always"), Buddies Investments Limited, Buddies Group Limited, Maxwin (B.V.I.) Limited and Gain Lucky Limited, subsidiaries incorporated in the BVI, are not subject to tax. As Top Always was engaged in the property leasing business in Hong Kong, it is subject to Hong Kong profits tax at the rate of 16.5% (for the six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong.

Shenzhou (Cambodia) Co., Ltd. ("Shenzhou Cambodia") and Daqian Textile (Cambodia) Co., Ltd ("Daqian Cambodia"), wholly-owned subsidiaries incorporated in the Kingdom of Cambodia, under the Law on Taxation, are subject to income tax at a rate of 20% and 9% respectively, and are entitled to be exempted from income tax for the first four profit-making years. Shenzhou Cambodia and Daqian Cambodia had no assessable profits during the period.

Shenzhou Trading Company Limited, Top Always (Hong Kong) Investments Limited and Maxwin (Hong Kong) Limited, wholly-owned subsidiaries incorporated in Hong Kong, are subject to profits tax at a rate of 16.5% (for the six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong.

Shenzhou Japan Co., Ltd. ("Shenzhou Japan"), a wholly-owned subsidiary incorporated in Japan, under the Law of Taxation, is subject to income tax at a rate of 30% of the assessable profits arising in Japan. No provision for Japan income tax has been made as Shenzhou Japan had no assessable profits arising in Japan during the period.

Buddies (Macao Commercial Offshore) Limited, a wholly-owned subsidiary incorporated in Macao, is exempted from Macao Complementary Tax pursuant to Macao's relevant tax legislations.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), the assessable income of each of the PRC subsidiaries for the period as determined in accordance with the New CIT Law is subject to a tax rate of 25%.

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

The calculation of earnings per share attributable to ordinary equity holders of the parent for the period is based on the consolidated profit attributable to equity holders of the parent of approximately RMB920,461,000 (six months ended 30 June 2012: RMB826,833,000) and on the weighted average number of approximately 1,331,144,000 (six months ended 30 June 2012: 1,275,824,000) ordinary shares in issue.

The Group had no potentially dilutive ordinary shares in issue.

11. DIVIDEND

Pursuant to the resolution passed by the Board on 26 August 2013, the directors did not recommend the payment of an interim dividend for the six months ended 30 June 2013.

12. CAPITAL EXPENDITURES

	Property, plant and equipment *RMB'000*	Prepaid land lease payments *RMB'000*	Water use right *RMB'000*	Software *RMB'000*
For the six months ended 30 June 2012				
Opening net book amount at 1 January 2012	2,974,958	547,407	105,888	3,840
Additions	290,521	3,744	–	1,345
Disposals	(675)	–	–	–
Depreciation/amortisation	(166,584)	(5,692)	(3,225)	(304)
Exchange differences	170	–	–	–
Closing net book amount at 30 June 2012	3,098,390	545,459	102,633	4,881
For the six months ended 30 June 2013				
Opening net book amount at 1 January 2013	3,314,100	539,275	99,438	5,636
Additions	292,763	34,268	–	1,514
Disposals	(4,770)	–	–	–
Depreciation/amortisation	(189,058)	(6,573)	(3,225)	(415)
Exchange differences	(1,140)	–	–	–
Closing net book amount at 30 June 2013	3,411,895	566,970	96,213	6,735

13. INVENTORIES

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Raw materials	**265,714**	334,016
Work in progress	**1,299,874**	1,012,070
Finished goods	**701,914**	578,349
	2,267,502	1,924,435

14. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit terms of within six months. Overdue balances are reviewed regularly by senior management. The ageing analysis of trade and bills receivables is as follows:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Within 3 months	**1,399,724**	1,367,438
Over 3 months	**62,288**	30,321
	1,462,012	1,397,759

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Prepayments and deposits		
– Purchase of raw materials	**73,092**	58,602
– Purchase of items of property, plant and equipment	**40,536**	8,992
– Prepaid rental and deposits	**92,415**	98,905
– Others	**2,099**	500
VAT refund receivable and recoverable	**213,100**	104,801
Other receivables	**75,746**	58,635
	496,988	330,435

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 Liabilities *RMB'000*	31 December 2012 Liabilities *RMB'000*
Forward currency contracts	**–**	9,550

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

Forward currency contracts – cash flow hedges

As at 30 June 2013, 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 2013 were assessed to be highly effective.

As at 30 June 2013, the Group had outstanding foreign currency contracts of US$50,000,000 with periods ranging from 1 month to 3 months.

17. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, is as follows:

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Within 6 months	**430,188**	378,454
6 months to 1 year	**3,479**	691
1 year to 2 years	**5,061**	10,105
Over 2 years	**7,197**	7,849
	445,925	397,099

18. OTHER PAYABLES AND ACCRUALS

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Accrued expenses	**148,448**	186,676
Payable for water use right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**26,527**	23,965
Guarantee deposits related to construction projects	**11,927**	12,868
Other taxes payable	**24,934**	89,850
Dividends payable to non-controlling interests	**1,112**	587
Other payables	**33,974**	41,833
	322,922	431,779

The carrying amounts of the other payables and accruals approximate to their fair values. Other payables are non-interest-bearing.

19. COMMITMENTS

(a) Capital commitments

	30 June 2013 *RMB'000*	31 December 2012 *RMB'000*
Contracted but not provided for:		
– Acquisition of prepaid land lease payments and property, plant and equipment	**223,448**	70,332
– Construction of property, plant and equipment	**132,297**	48,849
	355,745	119,181

(b) Outstanding forward foreign exchange contracts

As at 30 June 2013, the Group had commitments in respect of outstanding forward foreign exchange contracts to sell US$50,000,000 (31 December 2012: US$120,000,000) for approximately RMB308,440,000 (31 December 2012: approximately RMB754,260,000) within periods ranging from 1 month to 3 months (31 December 2012: from 1 month to 5 months).

20. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

21. RELATED PARTY TRANSACTIONS

(a) Continuing transactions with related parties

The Group had the following continuing significant transactions with its related parties, including directors and their associates and companies controlled by the controlling shareholder, for six months ended 30 June 2013 and 2012:

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Lease of property, plant and equipment from Ningbo Shenzhou Properties Company Limited ("Shenzhou Properties")*	**3,631**	3,631
Provision of processing services from Ningbo Shenzhou Shitong Knitwear Co. Ltd. ("Shenzhou Shitong")*	**7,015**	6,931
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**20,944**	19,409

* *Shenzhou Properties and Shenzhou Shitong are controlled by one of the Company's executive directors.*

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

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

(b) Other transactions with related parties

Certain bank loans and credit facilities of the Group are guaranteed by the certain companies controlled by the executive Directors.

(c) Outstanding balances with related parties

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
Amounts due to related parties – Trade related		
Huaxi Packaging Company	**–**	3,288
Shenzhou Shitong	**1,139**	–
	1,139	3,288

(d) Key management compensation

	For the six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**9,379**	5,451
Post-employment benefits	**52**	32
	9,431	5,483

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 2013 set out in this interim report.

BUSINESS REVIEW

During the period, the amount of textile and garment products export from China exhibited a faster growth as compared with the corresponding period last year. According to the statistics of the Chinese Customs, the total amount of Chinese textile and garment exports (including textile yarns, fabrics and finished products as well as garments and garment accessories, the same below) from January to June 2013 was US$127.21 billion, representing a year-on-year increase of approximately 12.1%, up by approximately 10 percentage points as compared with the same period in 2012. Out of the total exports, the export of textile products amounted to US$51.16 billion, representing a year-on-year increase of approximately 10.1%. Garment export value rose by approximately 13.4% to US$76.05 billion, among which US$16.30 billion, US$13.26 billion and US$9.95 billion were exported to the European Union ("EU"), the United States ("US") and Japan, respectively, representing increases of approximately 3.8%, 7.5% and 0.8%, respectively, over the corresponding period last year. The value of Chinese garment export to major markets grew moderately, mainly due to the weak import demand from the EU, US and Japanese markets, the competition from garment-producing Association of Southeast Asian Nations ("ASEAN") countries which enjoy cost advantage, as well as the favorable tariff treatments granted to ASEAN members by the importing countries.

On the China domestic front, RMB541.5 billion of the total retail sales of goods among the "over-the-threshold" enterprises from January to June 2013 came from garments, footwear, hats and knitwear, representing a year-on-year increase of 11.9%, according to the National Bureau of Statistics of China, reflecting the continually softening consumer demand. Affected by the increasing inventory pressure and the influx of foreign garment brands into the Chinese market, the operating environment of domestic garment retailers will remain dim in the short run.

In terms of costs, garment producers have also been operating during the period under persistent high pressure that mainly came from the constant rise in labor costs in Mainland China, the much higher domestic prices of cotton, the major raw material used by the Group, as compared with that in the international market due to the national purchasing and storage policy, as well as the continual appreciation of Renminbi ("RMB") against US dollars and Japanese Yen.

Notwithstanding the tough operating environment and the cost hikes, the Group managed to strengthen its cooperation with major clients during the period. With an optimization of product mix and the implementation of lean manufacturing management, the Group recorded growth in revenue and operating results with 9.5% and 6.6% increases in revenue and gross profit, respectively, as compared with the same period in 2012. Profit after tax rose by 11.3% while earnings per share amounted to RMB0.69. The Group has also achieved further success in the optimization of the distribution of its production bases and the structural refinement of its product mix.

Since Phase II of the garment factory in Cambodia commenced operation in the second half of 2012, the Group's production efficiency has been rising steadily. The new garment factory in Anqing City, Anhui Province has also commenced formal production in the second quarter of 2013 and is building up its workforce. The additional capacity from these new garment factories helped secure the Group's business development and mitigate the rising cost pressure effectively. Meanwhile, the development of the Group's new textile factory in Ningbo, China has been progressing as scheduled. The Group also decided to establish a new fabric factory in Vietnam during the period, and this project is already well underway. Such move will not only expand the Group's production capacity, but also perfect the distribution of the Group's production bases in order to consolidate its global resources for a better adaptation to the changes in operating environment.

During the period, the Group attained new progress in the structural refinement of its product mix. Revenue from sale of sportswear climbed further while the share of lingerie revenue in its total revenue rose to 14.0%, representing a significant increase of 63.5% as compared with the same period in 2012. Meanwhile, the Group selectively gave up some orders of products with lower added value so as to pool its resources to better serve the core clients.

THE GROUP'S OPERATING RESULTS

Revenue

The Group's revenue for the six months ended 30 June 2013 amounted to RMB4,772,638,000, representing an increase of RMB413,830,000 or approximately 9.5% from RMB4,358,808,000 for the six months ended 30 June 2012. The increase in revenue during the period was mainly attributable to: (1) the Group's revenue from the Japanese market have resumed growth and achieved historic half-year revenue, (2) the smooth launch of the new material knitting factory in Ningbo, and (3) the expansion of the Group's production capacity due to the commencement of operations of the second phases of the Cambodia and Anhui factories.

A comparison of the Group's revenue for the six months ended 30 June 2013 and the six months ended 30 June 2012 by product categories is as follows:

	For the six months ended 30 June					
	2013		2012		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Sportswear	**2,713,800**	**56.9**	2,550,086	58.5	163,714	6.4
Casual wear	**1,294,820**	**27.1**	1,296,878	29.8	(2,058)	(0.2)
Lingerie	**667,438**	**14.0**	408,136	9.4	259,302	63.5
Other knitwear	**96,580**	**2.0**	103,708	2.3	(7,128)	(6.9)
Total revenue	**4,772,638**	**100.0**	4,358,808	100.0	413,830	9.5

For the six months ended 30 June 2013, revenue from sale of sportswear amounted to RMB2,713,800,000, representing an increase of RMB163,714,000 or approximately 6.4% from RMB2,550,086,000 for the six months ended 30 June 2012. The growth in revenue from sale of sportswear mainly came from international brands as the revenue from sale of domestic sportswear brands for the period dropped by RMB78,000,000 to approximately RMB73,000,000 from approximately RMB151,000,000 for the same period in 2012.

Revenue from sale of casual wear dropped slightly by approximately 0.2% from RMB1,296,878,000 for the six months ended 30 June 2012 to RMB1,294,820,000 for the six months ended 30 June 2013. Despite the fact that the casual wear segment posted no revenue growth during the period, market demand remained strong. In order to satisfy the growing orders from strategic clients and perfect the product mix, the Group has reduced certain sales to medium and small clients.

Revenue from sale of lingerie products increased by RMB259,302,000 or approximately 63.5% from RMB408,136,000 for the six months ended 30 June 2012 to RMB667,438,000 for the six months ended 30 June 2013. The growth was mainly attributable to the increased demand from Japanese clients and the launch of new products.

A comparison of the Group's revenue for the six months ended 30 June 2013 and the six months ended 30 June 2012 by market regions is as follows:

	For the six months ended 30 June					
	2013		2012		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By regions						
International sales						
Japan	**1,604,101**	**33.6**	1,347,848	30.9	256,253	19.0
Europe	**812,359**	**17.0**	997,585	22.9	(185,226)	(18.6)
US	**388,000**	**8.1**	259,615	6.0	128,385	49.5
Others	**1,035,428**	**21.8**	887,976	20.3	147,452	16.6
Sub-total for international sales	**3,839,888**	**80.5**	3,493,024	80.1	346,864	9.9
Domestic sales	**932,750**	**19.5**	865,784	19.9	66,966	7.7
Total revenue	**4,772,638**	**100.0**	4,358,808	100.0	413,830	9.5

For the six months ended 30 June 2013, the Group's revenue from the Japanese market was RMB1,604,101,000, representing an increase of RMB256,253,000 or approximately 19.0% from RMB1,347,848,000 for the six months ended 30 June 2012. The Group's sales from the Japanese market resumed notable growth owing mainly to a remarkable increase in lingerie sales in Japan.

The Group's revenue from the European market for the six months ended 30 June 2013 amounted to RMB812,359,000, representing a decrease of RMB185,226,000 or approximately 18.6% from RMB997,585,000 for the six months ended 30 June 2012, mainly due to the weak consumer demand in the European market and the adjustment to the Group's customer portfolio.

The Group maintained its fast sales growth in the US and other markets including Korea, Russia and Hong Kong ("HK") during the period. Revenue from the US and other overseas markets for the six months ended 30 June 2013 surged by 49.5% and 16.6%, respectively, as compared with the six months ended 30 June 2012. The growth of the Group's sales from the US market was mainly attributable to sportswear, while the sales growth from other markets mainly came from Korea.

Although sales of domestic sportswear brands declined significantly, the Group still managed to enlarge its revenue from the domestic market. For the six months ended 30 June 2013, the Group's domestic sales of apparels amounted to RMB847,077,000, representing an increase of RMB71,927,000 or approximately 9.3% from RMB775,150,000 for the six months ended 30 June 2012. The Group remains optimistic about the development prospects of the domestic market. The percentage of domestic sales of local sportswear brands to total sales slipped from 4.4% to 1.5%.

Cost of sales and gross profit

The Group's cost of sales for the six months ended 30 June 2013 amounted to approximately RMB3,397,615,000 (for the six months ended 30 June 2012: RMB3,068,940,000). The Group's gross profit margin for sales for the six months ended 30 June 2013 was approximately 28.8%, representing a decrease of approximately 0.8 percentage point from 29.6% for the six months ended 30 June 2012. Revenue for the period included a gain of RMB10,638,000 (for the six months ended 30 June 2012: RMB48,121,000) from foreign currency forward hedges between US dollars and RMB entered into in China. Gross profit margin for the period excluding such gain from foreign currency hedges remained relatively stable at approximately 28.7% (for the six months ended 30 June 2012: 28.8%). Major factors affecting the gross profit margin for the period included: (1) a relatively rapid rise in labor costs; (2) the continuous appreciation of RMB against US dollars; (3) stable overall cotton price even though domestic prices remained significantly higher than international prices; and (4) the Group's successful cost management measures such as the continual optimization of product mix and the effective implementation of lean manufacturing management.

Equity attributable to equity holders of the Company

As at 30 June 2013, the Group's equity attributable to equity holders of the Company amounted to RMB9,458,689,000 (31 December 2012: RMB8,087,370,000), of which non-current assets, net current assets and equity attributable to non-controlling interests amounted to RMB4,089,735,000 (31 December 2012: RMB3,967,507,000), RMB5,383,925,000 (31 December 2012: RMB4,154,627,000) and RMB14,971,000 (31 December 2012: RMB34,764,000), respectively. The increase in equity attributable to equity holders of the Company was mainly owing to the placing of new shares and an increase in retained earnings during the period.

Liquidity and financial resources

For the six months ended 30 June 2013, net cash generated from the Group's operating activities amounted to approximately RMB540,015,000 (for the six months ended 30 June 2012: RMB892,803,000). Net cash (cash and cash equivalents less bank borrowings) of the Group as at 30 June 2013 was RMB1,843,552,000, representing an increase of RMB485,373,000 from the net cash of RMB1,358,179,000 as at 31 December 2012.

Cash and cash equivalents of the Group as at 30 June 2013 amounted to RMB2,747,842,000 (31 December 2012: RMB2,144,405,000). Total outstanding borrowings, all of which were short-term bank borrowings, amounted to RMB904,290,000 (31 December 2012: RMB786,226,000, all of which were short-term bank borrowings). Equity attributable to the equity holders of the Company amounted to RMB9,458,689,000 (31 December 2012: RMB8,087,370,000). The Group maintained a sound cash flow position with a gross gearing ratio (total outstanding borrowings as a percentage of the equity attributable to the equity holders of the Company) of 9.6% (31 December 2012: 9.7%).

In 2011, the Group entered into an interest rate swap contract with the relevant bank in respect of a loan denominated in US dollar. The contract came into effect on 30 April 2011 and will expire on 31 March 2014. The Group shall pay interest to the relevant bank at a fixed rate of 1.13% per annum and charge the relevant bank interest at the one-month US dollar LIBOR. The principal amounts of the agreed transaction under the contract were US$50,000,000 commencing on 30 April 2011, US$40,000,000 commencing on 28 September 2012, US$30,000,000 commencing on 28 March 2013, and US$20,000,000 for the period from 30 September 2013 to 31 March 2014. The purpose for entering into the contract between the Group and the relevant bank was to fix the financing cost of the bank loan.

Finance costs and tax

For the six months ended 30 June 2013, finance costs dropped from RMB15,369,000 for the six months ended 30 June 2012 to RMB5,611,000, mainly due to the decrease in the Group's average balance of bank borrowings during the period.

The Group's income tax expense for the six months ended 30 June 2013 increased to RMB260,435,000 from RMB209,043,000 for the six months ended 30 June 2012, mainly due to the higher income tax rates of the Group's subsidiaries in China during the period.

Pledge of the Group's assets

As at 30 June 2013, to secure the Group's bank overdraft facilities from the Ningbo Branch of HSBC Bank (China) Company Limited in the amount of RMB5,000,000, the Group's plants and prepaid land lease payments with an aggregate carrying amount of RMB187,400,000 as at 30 June 2013 were pledged as security. As of 30 June 2013, no overdraft facilities were used by the Group (as at 31 December 2012: Nil). In addition, the Group has entered into a credit facility contract with the Ningbo Branch of Hang Seng Bank (China) Limited in the amount of RMB60,000,000, for which the Group's plants and prepaid land lease payments with an aggregate carrying amount of RMB221,893,000 as at 30 June 2013 were pledged as security. As of 30 June 2013, there were no outstanding borrowings of the Group from the Ningbo Branch of Hang Seng Bank (China) Limited that was secured by way of asset security (as at 31 December 2012: Nil). Certain bank loans and credit facilities of the Group are secured by corporate guarantees from the Company and the holding companies controlled by the Directors.

Use of proceeds from the placing of new shares of the Company

The placing of new shares in April 2012

The Company completed a placing of 85,000,000 new shares on 26 April 2012 and raised net proceeds of approximately HK$1,158,650,000 (equivalent to approximately RMB939,548,000 based on the exchange rate of HK dollar against RMB of HK$1:RMB0.8109) after share issue expenses. The intended use of the proceeds from such placing of new shares and the actual use of those proceeds during the period are set out as follows:

- an amount of approximately RMB608,174,000 shall be used to establish new textile production facilities in Mainland China and to purchase and construct the relevant equipment and plants. As of 30 June 2013, approximately RMB424,062,000 in total had been used;

- an amount of approximately RMB121,635,000 shall be used to set up new garment production facilities and to purchase the relevant production equipment. As of 30 June 2013, the amount had been fully utilized;

- an amount of approximately RMB81,090,000 shall be used to expand the Group's retail network. As of 30 June 2013, approximately RMB32,188,000 in total had been used; and

- an amount of approximately RMB128,649,000 shall be used to repay part of the Group's short-term bank loans. The amount had been fully utilized.

As at 30 June 2013, the remaining net proceeds amounting to approximately RMB233,014,000 have been placed as bank deposits in Hong Kong and Mainland China. For the details of such placing of new shares, please refer to the announcements of the Company dated 16 April 2012 and 26 April 2012.

The placing of new shares in June 2013

The Company completed a placing of 69,000,000 new shares on 28 June 2013 and raised net proceeds of approximately HK$1,527,464,000 (equivalent to approximately RMB1,216,626,000 based on the exchange rate of HK dollar against RMB of HK$1:RMB0.7965) after share issue expenses. The intended use of the proceeds from such placing of new shares is set out as follows:

- the proceeds will be used to build and construct a production facility for the manufacture of fabrics in Vietnam ("Vietnam Project") in phases, as to approximately HK$777,000,000 for the building and construction of phase I of the Vietnam Project, including long term leasehold land use right, construction of buildings and staff quarters, construction of sewage system and infrastructure, purchase of machinery and equipment, etc; and

- the residual amount of the proceeds of approximately HK$750,464,000 will be used to build and construct phase II of the Vietnam Project and as general working capital.

As of 30 June 2013, the proceeds from such placing have not been utilized yet and were placed as bank deposits in Hong Kong. For the details of such placing of new shares, please refer to the announcements of the Company dated 18 June 2013 and 28 June 2013. For details of the Vietnam Project, please refer to the announcement of the Company dated 28 May 2013.

Exposure to foreign exchange

As the Group's sales were mainly settled in US dollar, while its purchases were mainly settled in RMB, the Group's costs and operating profit margin were affected by exchange rate fluctuations to a certain extent. The Group has adopted a policy to hedge part of its foreign exchange risks in light of the existing fluctuations of exchange rate between US dollar and RMB. The amounts to be hedged depend on the Group's expected revenue, purchases and capital expenditure in US dollar, as well as the market forecast of fluctuations in the exchange rate of US dollars against RMB.

To avoid the reduction in the value of future cash flows and the volatility thereof arising from any exchange rate movement between RMB and US dollar, the Group has arranged an appropriate amount of US dollar borrowings. As at 30 June 2013, out of the total bank borrowings, US dollar borrowings amounted to RMB426,330,000 (US$69,000,000 based on the original currency) (as at 31 December 2012: RMB565,695,000 (US$90,000,000 based on the original currency)). In addition, the Group entered into forward contracts selling US dollar in order to hedge certain of its foreign exchange risk, particularly those related to US dollar. As at 30 June 2013, the aggregate amount of the outstanding US dollar forward contracts was approximately US$50,000,000 (as at 31 December 2012: approximately US$120,000,000).

Employment, training and development

As at 30 June 2013, the Group employed a total of approximately 59,500 employees. Total staff costs, including those of management and administrative staff, accounted for approximately 25.0% (for the six months ended 30 June 2012: 22.2%) 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 may 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. Each of the new employees of the Group is 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

During the six months ended 30 June 2013, the Group's total investment in property, plant and equipment and prepaid land lease payments amounted to approximately RMB328,545,000, of which approximately 59% was used to purchase production equipment, approximately 36% to construct and acquire new factory buildings and prepaid land lease payments, and the balance was used to purchase other fixed assets.

As at 30 June 2013, the Group had contracted capital commitments of approximately RMB355,745,000 in connection with the acquisition and construction of properties, plants and equipment, which will be mainly financed by the net proceeds from the placing of new shares and internal resources.

Contingent liabilities

As at 30 June 2013, the Group did not have any material contingent liabilities.

FUTURE PROSPECTS AND STRATEGIES

The future development of the Chinese garment manufacturing industry is now confronted with the ever rising labor costs. Furthermore, the competitiveness of the Chinese enterprises was further undermined by their trade treatments that are different from those enjoyed by competitors in other countries. Therefore, it is vital for the Chinese garment manufacturing enterprises to adjust their traditional production models and develop multi-national production networks with a view to achieving synergy among different regions. More importantly, they must accelerate their internal transformation and upgrade so as to satisfy market demand with better products with higher added value, as well as further tighten their cost control. The management of Shenzhou International was pleased that its past efforts have been well recognized by the market. Following our inclusion in the Hang Seng Composite Index, the Company has been included in the MSCI China Index and was named one of the FORTUNE China 500 enterprises in the first half of 2013. It will also be listed in the Hang Seng Mainland 100 index in September 2013. The Group believes that the current tough operating environment also represents a historic development opportunity for those enterprises with leading competitive edge to obtain more market share during market consolidation.

Capitalizing on its technological, management and capital advantages, the Group will speed up the optimization of the regional layout of its production chain by establishing the Vietnam factory as a leading fabric factory in the industry with state-of-the-art production equipment, technique and management. This factory will provide the fabrics needed by the Group's overseas apparel factories so as to reduce the logistics costs and shorten the delivery terms of those overseas factories while meeting clients' diversification requirements in terms of product origins at the same time. In the establishment of production bases in each region, the Group has taken into account local resources and characteristic in the hope of leveraging on the advantages of each region so as to reinforce the Group's leading position among its peers around the world.

As the population of China started to age, the career aspirations of the labor force have been changing, and such change is adding to the difficulty of enterprises in recruiting workers. On the other hand, the workforce of other developing countries is also expanding constantly. To cope with the persistently rising costs, the Group will carry on automation in order to reduce its reliance on manpower in its production, achieve higher efficiency while cutting head count, as well as perfect its production processes and strengthen its production planning and management.

The development prospects for an industry are ruled by its market demand, while the growth of an enterprise hinges on its competitiveness. To provide quality, environmental-friendly and comfortable garments to the consumers while offering higher return to the shareholders, the Group will spare no effort to enhance its competitiveness. In the middle and long run, the management is optimistic about the outlook of the domestic consumption market in China. The Group's retail business has been operating smoothly since its trial run in August 2011 and currently has 19 stores. The Group will continue to develop this line of business in a stable manner and aims at opening 3 to 6 new stores in the second half of the year.

DIVIDENDS

At the Company's annual general meeting held on 28 May 2013, the shareholders of the Company approved the payment of a final dividend of HK$0.70 (equivalent to approximately RMB0.57) (including a special dividend of HK$0.20) per share for the year ended 31 December 2012 to the shareholders whose names appeared on the register of members of the Company at the close of business on 7 June 2013. The cash dividend was paid by the Company on 26 June 2013 in cash.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: Nil) and proposes to retain the profit for the period.

CORPORATE GOVERNANCE

On 9 October 2005, the Board adopted its own Code of Corporate Governance, which covers all of 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has complied with all the code provisions of the CG Code throughout the six months ended 30 June 2013. There have not been any material changes to the Company's corporate governance practices during the reporting period as compared with the information disclosed in the 2012 annual report.

Terms of Reference of Board Committees

In order to comply with the Listing Rules and the CG Code, the terms of reference of the audit committee, the nomination committee and the remuneration committee of the Company have been revised accordingly. Such terms of reference and the list of Directors and their roles and functions have been published on the websites of the Company and the Stock Exchange respectively.

Responsibilities of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills pursuant to the code provision A.6.5 set out in the CG Code. The Company has arranged for continuous professional development on the updates of the Listing Rules and the related legal and regulatory requirements for the Directors.

Corporate Governance Functions

The Company has adopted the terms of reference for corporate governance functions on 26 March 2012 in compliance with the code provision D.3 set out in the CG Code, effective from 1 April 2012. Pursuant to the terms of reference of the corporate governance functions, the Board shall be responsible for developing and reviewing and/or monitoring the policies and practices on corporate governance of the Group; training and continuous professional development of the Directors and senior management and making recommendations; compliance with legal and regulatory requirements; the code of conduct and compliance manual (if any) applicable to employees and the Directors; and the Group's compliance with the CG Code.

Communications with shareholders

Pursuant to the code provision E.1.2 set out in the CG Code, the Company invited representatives of the external auditors of the Company to attend the annual general meeting of the Company held on 28 May 2013 to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

The Company has adopted a shareholders' communication policy and procedures for shareholders to propose a person for election as a Director with effect from 26 March 2012. The policy and the procedures are available on the website of the Company.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions ("Securities Trading Code"). A copy of the Securities Trading Code is provided to all Directors on their appointment. Reminders will be issued twice a year, being 30 days prior to the Board meeting approving the Company's interim results and 60 days prior to the Board meeting approving the Company's annual results, reminding the Directors that they are not allowed to deal in the Company's securities prior to the announcement of its results (the period during which the directors are prohibited from dealing in shares) and that all transactions must comply with the Securities Trading Code. Upon specific enquiries on this matter, all Directors have confirmed their strictly compliance with the relevant provisions of the Securities Trading Code throughout the period.

Senior management may be in possession of unpublished price-sensitive information due to their duties within the Company, and hence, is required to comply with the Securities Trading Code.

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

On 28 June 2013, the Company completed the placing of 69,000,000 new shares at a price of HK$22.4 per share. Proceeds net of related share issue expenses amounted to approximately HK$1,527,464,000. For the details of the placing, please refer to the announcements of the Company dated 18 and 28 June 2013 respectively.

Save for the placing of existing shares of the Company mentioned above, 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 2013.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The interim report of the Company containing all the information required by the Listing Rules will be sent to the shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.com.hk) and the Company's website (www.shenzhouintl.com) 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 the review of the unaudited financial statements for the six months ended 30 June 2013).

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Ms. Zheng Miaohui and Mr. Wang Cunbo; one non-executive Director, Mr. Chen Zhongjing; and three independent non-executive Directors, namely Mr. Jiang Xianpin, Mr. Qiu Weiguo and Mr. Chen Genxiang.

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

Hong Kong, 26 August 2013