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)

PRELIMINARY ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

HIGHLIGHTS

- Sales for the year ended 31 December 2013 amounted to approximately RMB10,047,217,000, representing an increase of 12.4% when compared with the year of 2012.
- For the year ended 31 December 2013, percentage of sports goods sales to total sales was approximately 55.4%. Sports goods sales increased by 11.3% when compared with the year of 2012.
- For the year ended 31 December 2013, percentage of lingerie sales to total sales was approximately 13.7%. Lingerie sales significantly increased by 96.5% when compared with the year of 2012.
- Gross profit margin stood at 28.3% in 2013, decreasing from last year by a minimal 0.2 percentage point. Gross profit for the year ended 31 December 2013 amounted to RMB2,838,683,000, representing an increase of 11.6% when compared with the year of 2012.
- Net profit for the year ended 31 December 2013 amounted to RMB1,803,912,000, an increase of approximately 11.3% when compared with the year of 2012.
- Proposed to declare a final dividend of HK$0.75 (approximately RMB0.59) representing per ordinary share (including a special dividend of HK$0.20), representing an increase of 7.1% when compared with HK$0.70 (approximately RMB0.57) of 2012.

* *for identification purposes only*

The board of directors (the "Board") of Shenzhou International Group Holdings Limited ("Shenzhou International" or the "Company") is pleased to present the results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013, together with the comparative amounts for the corresponding year of 2012 as follows.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	**2013** RMB'000	2012 RMB'000
REVENUE	4	**10,047,217**	8,937,578
Cost of sales		**(7,208,534)**	(6,393,023)
Gross profit		**2,838,683**	2,544,555
Other income and gains	4	**295,633**	244,283
Selling and distribution expenses		**(164,449)**	(143,285)
Administrative expenses		**(696,653)**	(600,350)
Other expenses		**(61,995)**	(9,751)
Finance costs	5	**(10,010)**	(29,987)
PROFIT BEFORE TAX	6	**2,201,209**	2,005,465
Income tax expense	7	**(397,297)**	(383,985)
PROFIT FOR THE YEAR		**1,803,912**	1,621,480
Attributable to:			
Owners of the parent		**1,802,989**	1,620,158
Non-controlling interests		**923**	1,322
		1,803,912	1,621,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the year		**RMB1.32**	RMB1.24
Diluted			
– For profit for the year		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,803,912**	1,621,480
OTHER COMPREHENSIVE INCOME		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**14,860**	13,656
Reclassification adjustments for gains recognised in the consolidated statement of profit or loss	**(9,427)**	(28,371)
	5,433	(14,715)
Exchange differences on translation of foreign operations	**(41,372)**	3,482
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(35,939)**	(11,233)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,767,973**	1,610,247
Attributable to:		
Owners of the parent	**1,767,050**	1,608,925
Non-controlling interests	**923**	1,322
	1,767,973	1,610,247

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,518,230**	3,314,100
Prepaid land lease payments		**696,871**	539,275
Intangible assets		**101,909**	105,074
Deferred tax assets		**7,571**	9,058
Total non-current assets		**4,324,581**	3,967,507
CURRENT ASSETS			
Inventories		**2,424,899**	1,924,435
Trade and bills receivables	10	**1,374,991**	1,397,759
Prepayments, deposits and other receivables		**352,872**	330,435
Available-for-sale investments		**200,000**	–
Derivative financial instruments		**3,456**	–
Bank deposits with an initial term of over three months		**27,425**	130,868
Cash and cash equivalents		**2,609,050**	2,144,405
Total current assets		**6,992,693**	5,927,902
CURRENT LIABILITIES			
Trade and bills payables	11	**391,749**	397,099
Advances from customers		**14,095**	4,939
Other payables and accruals		**531,168**	431,779
Derivative financial instruments		**–**	9,550
Interest-bearing bank borrowings		**–**	786,226
Amounts due to related parties		**–**	3,288
Tax payable		**48,605**	140,394
Total current liabilities		**985,617**	1,773,275
NET CURRENT ASSETS		**6,007,076**	4,154,627
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,331,657**	8,122,134
Net assets		**10,331,657**	8,122,134

	Note	**2013**	2012
		RMB'000	*RMB'000*
EQUITY			
Equity attributable to owners of the parent			
Share capital		**142,105**	136,609
Reserves		**9,349,239**	7,195,906
Proposed final dividend	*8*	**824,920**	754,855
		10,316,264	8,087,370
Non-controlling interests		**15,393**	34,764
Total equity		**10,331,657**	8,122,134

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products 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.

Geographical information

(a) Revenue from external customers by location of goods delivery

	2013	2012
	RMB'000	*RMB'000*
Japan	**3,392,580**	2,805,902
Mainland China	**1,909,464**	1,775,348
European Union	**1,744,070**	1,849,436
United States of America	**900,013**	727,913
Other countries	**2,101,090**	1,778,979
	10,047,217	8,937,578

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2013	2012
	RMB'000	*RMB'000*
Mainland China	**3,969,826**	3,880,650
Vietnam	**225,293**	–
Cambodia	**114,522**	69,554
Other countries	**7,369**	8,245
	4,317,010	3,958,449

The non-current asset information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

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

	2013	2012
	RMB'000	*RMB'000*
Customer A	**2,368,357**	2,093,445
Customer B	**2,109,537**	2,010,709
Customer C	**1,841,726**	1,662,320
Customer D	**1,164,292**	600,628

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**10,047,217**	8,937,578
Other income		
Government grants*	**241,675**	196,101
Bank interest income	**33,501**	40,077
Rental income	**19,528**	6,632
	294,704	242,810
Gains		
Foreign exchange differences, net	**–**	1,473
Fair value gains, net:		
Derivative instruments-transactions not qualifying as hedges	**929**	–
Other income and gains	**295,633**	244,283

* Government grants mainly represent incentives granted by local governments to the Group. There are no unfulfilled conditions or contingencies related to the government grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Interest on bank borrowings wholly repayable within five years	**10,010**	29,987

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2013	2012
	RMB'000	*RMB'000*
Cost of inventories sold	**7,155,938**	6,347,288
Depreciation	**385,769**	342,716
Amortisation of prepaid land lease payments	**13,693**	11,876
Amortisation of intangible assets	**7,356**	7,087
Minimum lease payments under operating leases:		
Buildings	**57,123**	30,618
Auditors' remuneration	**2,474**	2,380
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**2,247,883**	1,748,851
Pension scheme contributions	**101,784**	68,348
Other benefits	**94,443**	93,878
	2,444,110	1,911,077
Foreign exchange differences, net *	**47,781**	(1,473)
Write-down of inventories to net realisable value	**4,147**	16,561
Fair value (gains)/losses, net:		
Derivative instruments – transactions not qualifying as hedges **	**(929)**	412
Bank interest income	**(33,501)**	(40,077)
Loss on disposal of items of property, plant and equipment	**4,320**	1,598

* The foreign exchange differences, net for the years ended 31 December 2013 and 31 December 2012 are included in "Other expenses" and "Other income and gains" respectively on the face of the consolidated statement of profit or loss.

** The fair value gains and losses for the years ended 31 December 2013 and 31 December 2012 are included in "Other income and gains" and "Other expenses" respectively on the face of the consolidated statement of profit or loss.

7. INCOME TAX

The major components of income tax expense for the years ended 31 December 2013 and 2012 are:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**31,028**	45,428
Current Mainland China corporate income tax ("CIT")	**366,263**	339,645
Deferred taxation	**6**	(1,088)
	397,297	383,985

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 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% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong.

The subsidiaries incorporated in the 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 Ltd. ("Top Always"), Buddies Investments Limited ("Buddies Investments"), Maxwin (B.V.I.) Limited ("Maxwin B.V.I."), Buddies Group Limited ("Buddies Group"), and Gain Lucky Co., Ltd. ("Gain Lucky"), 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 a rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong.

Shenzhou (Cambodia) Co., Ltd. and Daqian Textile (Cambodia) Co., Ltd., wholly-owned subsidiaries incorporated in the Kingdom of Cambodia, under the Law on Taxation, are subject to income tax at rate of 20% 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 year.

Shenzhou Trading Company Limited ("Shenzhou Trading"), Top Always (Hong Kong) Investment Limited ("Top Always HK") and Maxwin (Hong Kong) Limited ("Maxwin HK"), subsidiaries incorporated in Hong Kong, are subject to profits tax at a rate of 16.5% (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 year.

Gain Lucky (Vietnam) Co., Ltd. ("Gain Lucky Vietnam"), wholly-owned subsidiaries incorporated in Vietnam is subject to income tax at a rate of 20% for the first 10 years and at a rate of 25% in the following years. Besides, Gain Lucky Vietnam is entitled to be exempted from income tax for the first two profit-making years and subject to a lower tax rate of 10% from the third year to the sixth year. The period of tax privilege will start from the earlier of first profit – making year and the fourth year since its establishment.

No provision for Macao Complementary Tax has been made for Buddies (Macao Commercial Offshore) Limited ("Buddies Macao"), a wholly-owned subsidiary incorporated in Macao, as Buddies 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 PRC subsidiaries for the year as determined in accordance with the New CIT Law is subject to a tax rate of 25% on assessable income.

During 2013, Ningbo Daqian Knitwear Co., Ltd. ("Daqian Knitting"), a wholly owned subsidiary incorporated in mainland China, was qualified as a High-New Technology Enterprise ("HNTE") of Zhejiang Province. As a result, Daqian Knitting had been entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2013.

A reconciliation between the tax expense and the product of accounting profit multiplied by the PRC's domestic tax rate for the tax years ended 31 December 2013 and 2012 is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**2,201,209**	2,005,465
Tax at the statutory tax rate of 25% (2012: 25%)	**550,302**	501,366
Lower tax rates for specific provinces or enacted by local authorities	**(184,058)**	(147,764)
Adjustments in respect of current tax of previous periods	**(4,846)**	1,220
Expenses not deductible for tax	**2,280**	5,773
Tax losses not recognised during the year	**39,960**	26,932
Utilisation of previously unrecognised deductible tax losses	**(6,341)**	(3,542)
	397,297	383,985

8. DIVIDENDS

	Company	
	2013	2012
	RMB'000	*RMB'000*
Proposed final dividend of HK$0.75 (including a special dividend of HK$0.20) (2012: HK$0.70 (including a special dividend of HK$0.20)) per ordinary share	**824,920**	754,855

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The basic earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

The following reflects the income and share data used in the basic earnings per share calculation:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**1,802,989**	1,620,158
	Number of shares	
	2013	2012
	Thousands	Thousands
Shares		
Weighted average number of ordinary shares used in the basic earnings per share calculation	**1,365,351**	1,303,060

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

10. TRADE AND BILLS RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
Trade and bills receivables	**1,374,991**	1,397,759
Impairment	**–**	–
	1,374,991	1,397,759

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.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within three months	**1,341,794**	1,367,438
Over three months	**33,197**	30,321
	1,374,991	1,397,759

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

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Within six months	**377,273**	378,454
Six months to one year	**5,136**	691
One year to two years	**943**	10,105
Over two years	**8,397**	7,849
	391,749	397,099

The trade and bills payables are non-interest-bearing. The carrying amounts of the trade and bills payables approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

Business Review

During the year, the export value of textile and garment industry picked up but the cost pressure was more obvious than before. The Group achieved relatively satisfactory operating results amid the unfavorable operating environment. In 2013, sales revenue and profit attributable to equity holders were increased by 12.4% and 11.3% respectively compared to 2012, both the peak in the Group's history. During the year, the Group attained further progress in a number of spectra, such as optimizing the layout of production bases, strengthening cooperation with key customers, promoting comprehensive clean production and deepening corporate culture construction, in order to achieve long-term business development.

Optimizing the layout of production bases

During the year, the Group invested in the establishment of a fabric production base in Xining, south of Vietnam, and started the construction of the factory in September 2013. Currently, the project is progressing well, and the first phase is expected to be put into production by the end of 2014. Following the establishment of a garment production base in Phnom Penh, Cambodia, the establishment of such fabric production base in Vietnam will extend the Group's vertically integrated production model to overseas, and will have a significant impact on the long-term development of the Group's business. Since the fabric production base in Vietnam is adjacent to the garment factory in Cambodia, fabric transport will become more convenient, and thus the delivery of overseas garment factories will be significantly shortened; the international distribution of production bases can also meet the customer demand for decentralized procurement sources, enjoy the privilege of low import tariffs in some countries, and can effectively cope with the operating pressure caused by domestic rising cost of production and resource supply restrictions. To take full advantage of the production capacity of the fabric production base in Vietnam, the Group has begun the preparation for the establishment of a new garment factory in southern Vietnam.

Strengthening cooperation with key customers

The business cooperation of the Group with key customers was closer. By selectively reducing the undertaking of orders from some small- and medium-sized customers to provide core customers with a better production resource guarantee, the Group's sales to major customers saw an ideal growth during the year. Based on many years of industry experience and innovative improvement, the Group has enhanced the ability of customer service and broadened the scope of business cooperation with core customers. During the year, the product mix offered to major customers has also been improved, in which, revenue of sports goods continue to grow, and revenue of lingerie products increased sharply by 96.5% compared to last year.

Promoting comprehensive clean production

“Creating a green business to contribute to a comfortable life” is the Group’s corporate mission. The Group places emphasis on whole-process production management and control in order to achieve good effect of environmental protection, including selection of environmentally friendly raw materials, improvement in production process, purchase of energy-saving equipments, increased reuse of reclaimed water and the implementation of high-standard end-of-pipe treatment, in order to effectively reduce the adverse impacts of the production process on the environment and better provide green products for consumers. During the year, the Group’s production base in Ningbo has begun the full use of cleaner biomass fuels instead of coal-based energy, which has not only enhanced the soft competitiveness of the Group despite increasing the corporate operating costs, but also obtained support and recognition of the government departments, and helped the long-term development of the Group.

Deepening corporate culture construction

In order to further sustain the Group’s corporate culture and enhance the staff’s sense of belonging and identity, the Group strengthened its corporate culture publicity and further improved the staff professional quality training system during the year. The Chinese staff sent to overseas bases and newly hired foreign staff have been arranged to attend special training, so that the Group’s corporate culture can be inherited and carried forward in overseas factories. During the year, “Shenzhou School of Management”, the Group’s long-standing training institution, systematically planned and adjusted the training courses to make them more targeted and practical, and strengthened the training faculties. In view of good results achieved in corporate culture construction and performance management, Ningbo Shenzhou Knitting Co., Ltd., a wholly-owned subsidiary of the Group, achieved “Ningbo City Mayor Quality Award” and “National Quality Award in the Textile Industry” during the year.

FINANCIAL REVIEW

Revenue

Revenue for the year ended 31 December 2013 amounted to approximately RMB10,047,217,000, representing an increase of RMB1,109,639,000 or about 12.4% when compared to RMB8,937,578,000 for the year ended 31 December 2012. The increase in revenue was due to the following facts: (1) the fact that the Group's revenue from the Japanese market has resumed growth; (2) the smooth launch of the new material knitting factory in Ningbo; (3) satisfactory growth of order demand from major customers; and (4) the expansion of the Group's production capacity due to the commencement of operations of the second phases of the Cambodia and Anhui factories.

The comparison of the revenue of the Group for 2013 and 2012 by product categories is as follows:

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Sportswear	**5,561,070**	**55.4**	4,994,455	55.9	566,615	11.3
Casual wear	**2,872,104**	**28.6**	2,993,648	33.5	(121,544)	(4.1)
Lingerie	**1,378,932**	**13.7**	701,766	7.8	677,166	96.5
Other knitwear	**235,111**	**2.3**	247,709	2.8	(12,598)	(5.1)
Total revenue	**10,047,217**	**100.0**	8,937,578	100.0	1,109,639	12.4

For the year ended 31 December 2013, revenue from sale of sportswear amounted to approximately RMB5,561,070,000, representing an increase of RMB566,615,000 or 11.3% from approximately RMB4,994,455,000 for the year ended 31 December 2012. The growth in sale of sportswear was mainly attributable to the increasing orders from international brands, while the sale of domestic sportswear brands continued the drop. During the year, revenue from sale of domestic sportswear brands amounted to approximately RMB93,986,000, representing a decrease of RMB97,188,000 or approximately 50.8% from RMB191,174,000 in the previous year.

Revenue from sale of casual wear dropped by RMB121,544,000 or approximately 4.1% from RMB2,993,648,000 for the year ended 31 December 2012 to RMB2,872,104,000 for the year ended 31 December 2013. The decrease in revenue from sale of casual wear was mainly attributable to the sales reduction applied to certain medium and small clients, so as to satisfy the growing orders from strategic clients and perfect the product mix.

Revenue from sale of lingerie products posted significant increase by RMB677,166,000 or approximately 96.5% from RMB701,766,000 for the year ended 31 December 2012 to RMB1,378,932,000 for the year ended 31 December 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 2013 and 2012 by market regions is as follows:

	For the year ended 31 December					
	2013		2012		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By regions						
Japan	**3,392,580**	**33.8**	2,805,902	31.4	586,678	20.9
Europe	**1,744,070**	**17.4**	1,849,436	20.7	(105,366)	(5.7)
US	**900,013**	**8.9**	727,913	8.1	172,100	23.6
Others	**2,101,090**	**20.9**	1,778,979	19.9	322,111	18.1
Sub-total for international sales	**8,137,753**	**81.0**	7,162,230	80.1	975,523	13.6
Domestic sales	**1,909,464**	**19.0**	1,775,348	19.9	134,116	7.6
Total revenue	**10,047,217**	**100.0**	8,937,578	100.0	1,109,639	12.4

For the year ended 31 December 2013, the Group's revenue from the Japanese market was approximately RMB3,392,580,000, representing an increase of RMB586,678,000 or approximately 20.9% from approximately RMB2,805,902,000 for the year ended 31 December 2012. The Group's sales for the same year from the Japanese market reached its historical high mainly due to a rapid increase in lingerie sales in Japan.

The Group's revenue from the European market for the year ended 31 December 2013 amounted to approximately RMB1,744,070,000, representing a decrease of RMB105,366,000 or approximately 5.7% from approximately RMB1,849,436,000 for the year ended 31 December 2012. The decrease was mainly due to the demand for sportswear driven by the London Olympics in 2012, leading to a fast growing in the revenue from sportswear in the first half of 2012. Except the above reason, the revenue from sportwear in the first half of 2013 declined as compared with the same period last year. However, growth resumed in the European market in the second half of 2013. Moreover, the Group's adjustment to customer portfolio also dented the sales in the European market.

The Group's revenue from the US market for the year ended 31 December 2013 amounted to approximately RMB900,013,000, representing an increase of RMB172,100,000 or approximately 23.6% from RMB727,913,000 for the year ended 31 December 2012. The growth of the Group's sales from the US market was mainly attributable to sportswear.

The Group maintained its fast revenue growth in other overseas markets including Korea, Russia and Hong Kong. Revenue from other overseas markets for the year ended 31 December 2013 surged by 18.1% as compared with last year. The growth of the Group's sales mainly came from Korea.

For the year ended 31 December 2013, the Group gained 7.6% in its revenue from the domestic market as compared with last year, with sales of apparels in domestic market amounted to approximately RMB1,717,487,000, representing an increase of RMB143,733,000 or approximately 9.1% from RMB1,573,754,000 last year. The decrease in the Group's sales of domestic sportswear brands offset the sales increase in the domestic market.

Cost of sales and gross profit

The Group's cost of sales for the year ended 31 December 2013 amounted to approximately RMB7,208,534,000 (2012: RMB6,393,023,000). The Group's gross profit margin of sales in 2013 was 28.3%, representing a decrease of approximately 0.2 percentage point when compared to 28.5% in 2012. The Group's operating revenue for the year ended 31 December 2013 included a gain of RMB12,330,000 (2012: RMB37,487,000) from foreign currency forward hedges between US dollars and Renminbi. If such gain from foreign currency forward contract hedges was excluded, the gross profit margin of the Group's sales in 2013 would have been 28.2% (2012: 28.2%), which remained flat as in 2012. Major factors affecting the gross profit margin during the year included: (1) a substantial rise in labor costs; (2) the continuous appreciation of RMB against US dollars; (3) the cotton price gap in domestic and overseas market; and (4) the Group's optimization of product mix and enhancement of production efficiency effectively offset the cost pressure due to aforesaid adverse factors.

Equity attributable to equity holders of the Company

As at 31 December 2013, the Group's equity attributable to equity holders of the Company amounted to RMB10,316,264,000 (2012: RMB8,087,370,000), of which non-current assets, net current assets and equity attributable to non-controlling interests amounted to RMB4,324,581,000 (2012: RMB3,967,507,000), RMB6,007,076,000 (2012: RMB4,154,627,000) and RMB15,393,000 (2012: RMB34,764,000), respectively. The increase in equity attributable to equity holders of the Company was mainly due to the placing of new shares and an increase in retained earnings during the year.

Liquidity and financial resources

For the year ended 31 December 2013, net cash generated from the Group's operating activities amounted to approximately RMB1,709,301,000; in 2012, it was approximately RMB1,624,567,000. Cash and cash equivalents of the Group as at 31 December 2013 amounted to RMB2,609,050,000 (2012: RMB2,144,405,000). The balance of bank borrowings was nil (2012: RMB786,226,000, being short-term bank borrowings). Net cash (cash and cash equivalents less bank borrowings) increased by RMB1,250,871,000 as compared with RMB1,358,179,000 as at 31 December 2012.

Equity attributable to equity holders of the Company amounted to RMB10,316,264,000 (2012: RMB8,087,370,000). The Group was in a good cash flow position, with a debt to equity ratio (total outstanding borrowings as a percentage of equity attributable to the equity holders of the Company) of nil (2012: 9.7%).

For the year ended 31 December 2013, 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. As of 31 December 2013, the outstanding balance of the contracted transaction principal amounted to US$20,000,000. Since the Group was in a good cash flow position, the loan denominated in US dollar in relation to the above contract had been repaid in advance within the year.

Pledge of the Group's assets

As at 31 December 2013, the Group had no pledge of assets.

Finance costs and tax

Finance costs decreased from RMB29,987,000 for the year ended 31 December 2012 to RMB 10,010,000 for the year ended 31 December 2013. The decrease was mainly due to the reduction in the Group's average amount of bank borrowings during the year. During the year, the Group's US dollar loan annual interest rate ranged from 1.1553% to 2.83%, and Renminbi loan annual interest rate was 2.50% (2012: the loan annual interest rate of US dollar and Renminbi ranged from 1.12% to 3.21% and 2.50% to 8.55%, respectively).

For the year ended 31 December 2013, income tax expense of the Group amounted to RMB397,297,000, representing an increase of RMB13,312,000 when compared to income tax expense of RMB383,985,000 for the year ended 31 December 2012. The increase in income tax expense was mainly due to the increase in profit before tax of the Group. During the year, a wholly-owned subsidiary of the Group was credited as a high-tech enterprise, thus, entitling a 15% discount on corporate income tax.

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 related share issue expenses. The intended use of the proceeds from the placing of new shares and the actual use of those proceeds during the year 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 31 December 2013, approximately RMB468,021,000 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 31 December 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 31 December 2013, approximately RMB42,053,000 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 31 December 2013, the remaining net proceeds amounting to approximately RMB179,190,000 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 related 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 31 December 2013, approximately HK$286,858,000 of the proceeds from such placing has been utilized and the balance of approximately HK$1,240,606,000 was placed in bank as deposits. 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 entered into forward contracts selling US dollar. As of 31 December 2013, the aggregate amount of the outstanding US dollar forward contracts was approximately US$60,000,000 (as at 31 December 2012: approximately US$120,000,000). The expansion of the overseas production bases of the Group will add to the cost expenditure in US dollar, and is conducive to offset the volatility of the exchange rate between RMB and US dollar. In addition, the Group will also consider the arrangement of appropriate amount of loans in foreign currency according to the bank interest rates and capital requirement.

Employment, training and development

As at 31 December 2013, the Group employed more than 57,100 employees. Total staff costs, including management and administrative staff, accounted for approximately 24.3% (2012: 21.4%) of the Group's sales during the year. 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 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. 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 year, the Group's total investment in property, plant and equipment and prepaid land lease payments amounted to approximately RMB774,909,000, of which approximately 40% was used for the acquisition of production equipment, approximately 55% for the construction and acquisition of new factory buildings and prepaid land lease payments, and the balance was used for the purchase of other fixed assets.

Contingent Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Events after the Reporting Period

The Group has no significant events after the reporting period up to the date of this announcement.

FUTURE PROSPECTS AND STRATEGIES

Rising labor costs and resource prices, decelerated demand growth, transfer of customer orders and other operating pressures will continue to affect the development of China's textile and garment industry, and the development model with a low cost as competitive advantage has been difficult to sustain. Despite many difficulties, China's textile and garment industry has better industry support, more professionals and more solid financial strength in addition to greater scale advantage compared to other producing countries, but the related enterprises need to leverage the existing advantages, improve the competitiveness through further transformation and upgrade, and provide customers with more comprehensive services to gain the leading superiority in the long-term development. The Group has a clear development strategy, and is full of confidence in the Group's future.

The Group steadily expand the scale of its overseas production bases, build and optimize the vertically integrated production model from weaving, dyeing and finishing, printing and embroidery, cutting and sewing, to shorten product delivery of overseas factories and enhance productivity and sophisticated management level. At the same time, the Group will strengthen vocational training for new staff, promote cross-border heritage of the Group's corporate culture, and make the overseas bases becoming an important support for the further development of the business of the Group. It is expected that the first phase of the Group's fabric factory in Vietnam will begin production at the end of 2014, which is expected to extend the Group's vertically integrated production model to Vietnam. By then, it will not only reduce costs and shorten delivery time, but can also take full advantage of the privilege of international trade tariff reduction.

The Group will focus on new business and new product development, and make it the impetus for sustained growth of business. The Group will improve its ability to develop new products by introducing and cultivating high-end R & D personnel, increasing investment in research and development hardware facilities, and expanding exchanges and cooperation with key customers. Product development will focus on differentiation of functionality and environmental protection property from other enterprise peers, in order to enhance the value-added of products and gain more market share. The Group will provide customers with more comprehensive services while providing quality products. The Group's retail business is developing smoothly and currently has twenty-four stores. With steady development as the keynote in the future, eight new stores are expected to open from the second to the fourth quarter in 2014.

The Group will continue to improve lean production management to cope with the rising cost pressure. The Group will implement the evaluation indicators of the production departments, and promote the optimal utilization of production resources through the guidance of incentive measures; will achieve equalization of capacity utilization by optimizing the production process, strengthening plan arrangement and taking other measures, to reduce fixed costs; and will uphold the target of downsizing for efficiency, expand the application of automation equipment in production, and encourage full participation in the improvement of the operating mode to improve production efficiency.

The Group will adhere to the operating philosophy of coordinating corporate development and environmental protection, and implement it in the entire process of production activities. Especially in the construction of overseas production bases, the Group has enhanced the environmental protection requirements in equipment selection and end-of-pipe treatment. Strengthening energy management and reducing resources consumption have become the conscious behaviors of the Group in daily operation.

Globalization of product markets and production bases has provided the Group with more choices, and the accumulated years of industry experience has laid a good foundation for its long-term development. In view of the reduced pressure from appreciation of RMB against US dollar and the fall of cotton prices, the Group is optimistic about the business outlook for 2014. There are many difficulties in the operating environment, but they breed development opportunities as well. The Group will usher in better development industry consolidation of eliminating the inferior and choosing the superior. The Group is striving and confident to become the world's best business, which is also our development vision.

FINAL DIVIDEND (INCLUDING SPECIAL DIVIDEND)

The Board recommends the payment of a final dividend of HK$0.75 (including a special dividend of HK$0.20) (equivalent to approximately RMB0.59) per share for the year ended 31 December 2013 to shareholders whose name appear on the register of members of the Company on 9 June 2014. However, the proposed payment of the dividend shall be subject to approval by shareholders at the forthcoming annual general meeting (the "AGM") to be held on 28 May 2014.

BOOK CLOSURE

The Register of Members of the Company will be closed from 23 May 2014 to 28 May 2014, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 22 May 2014.

The Register of Members of the Company will be closed from 6 June 2014 to 9 June 2014, both dates inclusive, during such period no transfer of shares will be registered. In order to qualify for the said final dividend (including special dividend) which will be resolved and voted at the AGM, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2014.

CORPORATE GOVERNANCE

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 9 October 2005.

The Company had complied with all the code provisions of the CG Code throughout the year ended 31 December 2013.

Terms of Reference of Board Committees

In order to comply with the Listing Rules and the CG Code, the terms of reference of each of the audit committee, nomination committee and 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 update 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 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 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 convened on 28 May 2014 to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Company has adopted a shareholders' communication policy and procedure for shareholders to propose a person for election as a Director with effect from 26 March 2012. The policy and the procedure 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 as 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. Reminder 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, all Directors confirmed their strictly compliance with the relevant provisions of the Securities Trading Code throughout the year.

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

AUDIT COMMITTEE

The Audit Committee reviewed with the management and the external auditors of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial statements matters including the review of the financial statements for the year ended 31 December 2013.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been agreed by the Group's auditors, Ernst & Young, certified public accountants, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company completed the placing of 69,000,000 new shares at a consideration of HK$22.4 per share on 28 June 2013 with net proceeds (after deducting relevant expenses for issuing shares) of approximately HK$1,527,464,000. Details of the placing were set out in the announcements of the Company dated 18 June 2013 and 28 June 2013 respectively.

Save for the placing of new 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 year ended 31 December 2013.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company, which contains all the information required by the Listing Rules, will be sent to shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.shenzhouintl.com) in due course.

ANNUAL GENERAL MEETING

The AGM will be held at 7th Floor, the Group's Office Building, No. 18 Yongjiang Road, Beilun District, Ningbo, Zhejiang Province, the PRC, on 28 May 2014 at 10:00 a.m. Notice of the AGM will be published and issued in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the six executive directors of the Company are Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Ms. Zheng Miaohui, Mr. Wang Cunbo and Ms. Chen Zhifen; and the four independent non-executive directors are Mr. Chen Genxiang, Mr. Chen Xu, Mr. Jiang Xianpin and Mr. Qiu Weiguo.

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

Hong Kong, 25 March 2014