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 2015

HIGHLIGHTS

- Sales for the six months ended 30 June 2015 amounted to approximately RMB5,577,120,000, representing an increase of 11.9% when compared with the corresponding period of 2014.
- Percentage of sports goods sales to total sales was approximately 64.6% for the six months ended 30 June 2015. Revenue from sale of sports goods increased by approximately 15.6% when compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 24.7% for the six months ended 30 June 2015. Revenue from sale of casual wear products increased by approximately 23.7% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2015 amounted to approximately RMB1,637,052,000, an increase of 16.7% when compared with the corresponding period of 2014. Gross profit margin increased by 1.3 percentage point to 29.4%.
- Net profit attributable to owners of the Company for the six months ended 30 June 2015 amounted to approximately RMB1,120,363,000, an increase of approximately 18.7% when compared with the corresponding period of 2014.
- Basic earnings per share were RMB0.80, representing an increase of approximately 19.4% from RMB0.67 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 2015, together with the comparative amounts for the corresponding period of 2014. The interim results and interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Unaudited For the six months ended 30 June	
		2015	2014
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**5,577,120**	4,983,637
Cost of sales	*5*	**(3,940,068)**	(3,581,153)
Gross profit		**1,637,052**	1,402,484
Other income and gains	*6*	**337,455**	248,719
Selling and distribution costs	*5*	**(115,420)**	(101,156)
Administrative expenses	*5*	**(452,231)**	(394,647)
Other expenses	*7*	**(7,482)**	(5,195)
Finance costs	*8*	**(43,859)**	(3,539)
Share of loss of an associate		**(1,615)**	–
PROFIT BEFORE TAX		**1,353,900**	1,146,666
Income tax expense	*9*	**(233,637)**	(202,445)
Profit for the period		**1,120,263**	944,221
Attributable to:			
Owners of the Company		**1,120,363**	943,900
Non-controlling interests		**(100)**	321
		1,120,263	944,221
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
– Basic		**RMB0.80**	RMB0.67
– Diluted		**RMB0.77**	RMB0.67

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Unaudited For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Profit for the period	**1,120,263**	944,221
Other comprehensive income		
Cash flow hedges：		
Effective portion of changes in fair value of hedging instruments arising during the period	**(17,589)**	(16,017)
Reclassification adjustments for gains recognised in consolidated statement of profit or loss	**8,226**	9,033
	(9,363)	(6,984)
Exchange differences on translation of foreign operations	**(23,098)**	20,468
Other comprehensive income for the period, net of tax	**(32,461)**	13,484
Total comprehensive income for the period	**1,087,802**	957,705
Attributable to:		
Owners of the Company	**1,087,902**	957,384
Non-controlling interests	**(100)**	321
	1,087,802	957,705

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**4,551,829**	4,183,860
Prepaid land lease payments	12	**929,219**	773,854
Intangible assets	12	**103,469**	102,846
Entrusted loans		**550,000**	555,000
Investment in an associate		**4,019**	5,634
Deferred tax assets		**13,429**	12,690
Total non-current assets		**6,151,965**	5,633,884
CURRENT ASSETS			
Inventories	13	**3,131,714**	2,607,210
Trade and bills receivables	14	**1,668,434**	1,642,917
Prepayments, deposits and other receivables	15	**802,425**	1,112,694
Entrusted loans		**60,000**	60,000
Available-for-sale investments	16	**1,180,000**	320,000
Derivative financial instruments		**–**	11,214
Structured deposits		**–**	2,211,160
Pledged deposits		**1,404,242**	893,483
Bank deposits with an initial term of over three months		**522,538**	22,392
Cash and cash equivalents		**2,164,505**	1,428,074
Total current assets		**10,933,858**	10,309,144
CURRENT LIABILITIES			
Trade and bills payables	17	**559,221**	467,624
Advances from customers		**5,510**	7,793
Other payables and accruals	18	**528,858**	610,308
Interest-bearing bank borrowings		**1,155,591**	46,737
Amounts due to related parties	22b	**11,435**	1,860
Tax payable		**131,488**	130,855
Total current liabilities		**2,392,103**	1,265,177
NET CURRENT ASSETS		**8,541,755**	9,043,967

	Note	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**14,693,720**	14,677,851
NON-CURRENT LIABILITIES			
Convertible bonds	*19*	**2,898,482**	2,864,675
Deferred tax liabilities		**–**	1,850
Total non-current liabilities		**2,898,482**	2,866,525
Net assets		**11,795,238**	11,811,326
EQUITY			
Equity attributable to owners of the Company			
Share capital		**142,105**	142,105
Reserves		**11,637,695**	10,549,793
Proposed final dividend		**–**	1,103,671
		11,779,800	11,795,569
Non-controlling interests		**15,438**	15,757
Total equity		**11,795,238**	11,811,326

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim consolidated financial statements have been approved for issue by the Board on 24 August 2015.

2. BASIS OF PREPARATION

These unaudited interim consolidated financial statements for the six months ended 30 June 2015 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. These unaudited interim 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014, except for the adoption of the new standards and interpretations as of 1 January 2015, noted below:

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011-2013 Cycle	*Amendments to a number of HKFRSs*[1]

[1] Effective for annual periods beginning on or after 1 July 2014

The adoption of these new and revised HKFRSs had no significant financial effect on these financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organized 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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Mainland China	**1,342,663**	1,145,432
Japan	**1,279,845**	1,406,301
European Union	**1,013,345**	875,797
United States of America	**682,275**	460,239
Other countries	**1,258,992**	1,095,868
	5,577,120	4,983,637

(b) Non-current assets

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Mainland China	**4,157,439**	4,053,915
Vietnam	**1,327,805**	902,972
Cambodia	**92,776**	96,851
Other countries	**6,497**	6,822
	5,584,517	5,060,560

The non-current asset information of continuing operations above is based on the locations of the assets and excludes entrusted loans, investment in an associate and deferred tax assets.

Information about major customers

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

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Customer A	**1,360,768**	1,117,284
Customer B	**1,277,199**	974,055
Customer C	**1,243,653**	1,083,491
	3,881,620	3,174,830

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	
	2015	2014
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**1,579,430**	1,191,631
Retirement benefit contributions	**73,364**	63,168
Other benefits	**48,660**	50,806
	1,701,454	1,305,605
Depreciation, amortisation and impairment expenses	**252,492**	212,906
Changes in inventories of finished goods and work in progress	**(204,246)**	(122,639)
Raw materials and consumables utilized	**2,170,649**	2,140,207
Utilities expenses	**271,391**	258,265
Transportation expenses	**43,397**	27,608
Outsourcing	**41,250**	27,797
Operating lease expenses for properties	**39,075**	36,369
Taxation	**37,132**	28,990
Repair expenses	**23,822**	17,363
Office expenses	**22,190**	23,199
Charges for disposing pollutants	**14,433**	13,982
Entertainment expenses	**9,566**	9,649
Traveling expenses	**6,956**	5,350
Commission	**5,385**	8,448
Inspection fees	**5,279**	5,063
Donation	**1,259**	16,322
Other expenses	**66,235**	62,472
Total cost of sales, selling and distribution costs and administrative expenses	**4,507,719**	4,076,956

6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Other income		
Government incentives	**211,811**	199,223
Bank interest income	**57,817**	33,928
Other interest income	**24,069**	–
Rental income	**8,189**	10,579
	301,886	243,730
Gains		
Exchange differences, net	**35,569**	4,989
	337,455	248,719

7. OTHER EXPENSES

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**2,176**	124
Rental cost	**5,306**	5,071
	7,482	5,195

8. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**1,265**	734
Interest on convertible bonds	**42,594**	2,805
	43,859	3,539

9. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2015 and 2014 are:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**9,691**	11,059
Current Mainland China corporate income tax ("CIT")	**224,685**	190,773
Deferred taxation	**(739)**	613
	233,637	202,445

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, income, 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 2014: 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 Ltd. ("Top Always"), Buddies Investments Limited, Buddies Group Limited, Maxwin (B.V.I.) Limited and Gain Lucky Co., Ltd., 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%(for the six months ended 30 June 2014: 16.5%) on the estimated assessable profit 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 Daqian Cambodia is 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 2014: 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.

Gain Lucky (Vietnam) Limited ("Gain Lucky Vietnam") and Worldon (Vietnam) Company Limited ("Worldon Vietnam"), wholly-owned subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%. Gain Lucky Vietnam and Worldon Vietnam are 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 their establishment. Furthermore, under the laws of Vietnam, for a company, provided that (a) the total investment of at least VND6,000 billion (approximately US$300 million) is paid within 3 years from the date of its establishment and (b) should maintain a minimum annual revenue of US$500 million within 3 years from the date of generating revenue, or employ more than 3,000 staff members within 3 years from the date of generating revenue, it will be subject to a lower profits tax rate of 10%, and the profits tax will be waived for the first 4 years and 50% of its profits tax will be waived for 9 years thereafter.

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 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%.

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 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.

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

(a) Basic

The calculation of earnings per share attributable to ordinary equity holders of the company for the period is based on the consolidated profit attributable to equity holders of the company of approximately RMB1,120,363,000 (for the six months ended 30 June 2014: RMB943,900,000) and on the weighted average number of 1,399,000,000 (for the six months ended 30 June 2014: 1,399,00,000) ordinary shares in issue.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

11. DIVIDEND

Pursuant to resolution passed by the Board on 24 August 2015, the directors did not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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 2014				
Opening net book amount at 1 January 2014	3,518,230	696,871	92,988	8,921
Additions	327,632	100,277	–	2,872
Disposals	(341)	–	–	–
Depreciation/amortisation	(203,702)	(9,791)	(3,225)	(665)
Exchange differences	944	2,321	–	–
Closing net book amount at 30 June 2014	3,642,763	789,678	89,763	11,128
For the six months ended 30 June 2015				
Opening net book amount at 1 January 2015	**4,183,860**	**773,854**	**86,538**	**16,308**
Additions	**629,063**	**168,693**	**–**	**5,114**
Disposals	**(5,145)**	**–**	**–**	**–**
Depreciation/amortisation	**(237,682)**	**(10,319)**	**(3,225)**	**(1,266)**
Exchange differences	**(18,267)**	**(3,009)**	**–**	**–**
Closing net book amount at 30 June 2015	**4,551,829**	**929,219**	**83,313**	**20,156**

13. INVENTORIES

	30 June 2015 RMB'000	31 December 2014 RMB'000
Raw materials	**671,146**	350,888
Work in progress	**1,235,326**	1,209,252
Finished goods	**1,225,242**	1,047,070
	3,131,714	2,607,210

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 2015 RMB'000	31 December 2014 RMB'000
Within three months	**1,583,099**	1,542,666
Over three months	**85,335**	100,251
	1,668,434	1,642,917

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Prepayments and deposits		
– Purchase of raw materials	**155,585**	169,819
– Purchase of items of property, plant and equipment	**75,115**	34,267
– Prepaid rental and deposits	**89,400**	114,256
– Acquisition of a subsidiary	**–**	20,000
– Others	**36,728**	8,199
VAT refund receivable and recoverable	**284,102**	216,247
Financial products issued by a financial institution	**100,000**	470,000
Interest receivable	**1,455**	33,795
Other receivables	**60,040**	46,111
	802,425	1,112,694

16. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Financial products issued by financial institutions	**1,180,000**	320,000

As at 30 June 2015, certain financial products issued by financial institutions with a carrying amount of RMB1,180,000,000 (31 December 2014: RMB320,000,000) were stated at cost less impairment. The directors are of the opinion that their fair value cannot be measured reliably. The financial products have terms of less than one year and have expected annual rates of return up to 5.25% (31 December 2014: 5.20%). Pursuant to the underlying contracts or notices, these financial products are capital guaranteed upon the maturity date. The Group does not intend to dispose them in the near future.

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 2015	31 December 2014
	RMB'000	*RMB'000*
Within six months	**538,848**	454,016
six months to one year	**7,048**	1,781
one year to two years	**1,740**	5,032
over two years	**11,585**	6,795
	559,221	467,624

18. OTHER PAYABLES AND ACCRUALS

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Accrued expenses	**183,584**	213,106
Payable for Water Use Right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**27,907**	81,838
Guarantee deposits related to construction projects	**8,987**	9,781
Advanced from customers	**81,055**	85,535
Other taxes payable	**92,884**	101,020
Dividends payable to non-controlling interests	**587**	587
Others	**57,854**	42,441
	528,858	610,308

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

19. CONVERTIBLE BONDS

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Face value of convertible bonds issued on 18 June 2014	**3,097,380**	3,097,380
Issuing expenses	**(53,790)**	(53,790)
Equity component	**(197,140)**	(197,140)
Liability component on initial recognition on 18 June 2014	**2,846,450**	2,846,450
Effect of exchange rate changes	**(20,071)**	(18,995)
Accumulated finance costs	**47,090**	24,407
Interest payable	**25,013**	12,813
Liability component	**2,898,482**	2,864,675

On 18 June 2014, the Company issued convertible bonds which will be due on 18 June 2019 (the "maturity date"), in the aggregate principal amount of HK$3,900,000,000 with an initial conversion price of HK$38.56 (subject to adjustment) per ordinary share of the Company, and the coupon rate is 0.5%. Unless previously redeemed, converted, purchased or cancelled, these bonds will be redeemed at 103.86% of their principal amount on the maturity date.

The fair values of the liability component and the equity component were determined upon the issuance of the convertible bonds.

The fair values of the liability component was calculated using a market interest rate of 3.55% for an equivalent non-convertible bond. The residual amount, representing the value of equity component, is included in reserves in shareholders' equity.

The fair value of the convertible bonds approximated to their carrying amounts as at 30 June 2015.

As at 30 June 2015, no bond holders have converted their bonds into ordinary shares of the Company.

20. COMMITMENTS

Capital commitments

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**705,446**	359,075

21. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2015 (31 December 2014: Nil).

22. 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 2015 and 2014:

	For the six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Lease of property, plant and equipment from Ningbo Shenzhou Properties Company Limited ("Shenzhou Properties")*	**4,405**	4,926
Provision of processing services from Ningbo Shenzhou Shitong Knitwear Co. Ltd. ("Shenzhou Shitong")*	**6,922**	7,341
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**21,142**	20,378

* 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) Outstanding balances with related parties

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

	30 June 2015 *RMB'000*	31 December 2014 *RMB'000*
Amounts due to related parties		
– Trade related		
Huaxi Packaging Company	**3,336**	1,860
Shenzhou Shitong	**8,099**	–
	11,435	1,860

(c) Key management compensation

	For the six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
Salaries and other short-term employee benefits	**11,983**	11,008
Post-employment benefits	**61**	55
	12,044	11,063

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements and the accompanying notes of the Group for the six months ended 30 June 2015 set out in this announcement.

BUSINESS REVIEW

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, referred the same as below) from January to June 2015 was US$128.38 billion, representing a year-on-year decrease of approximately 3.1%. Out of the total exports, the export of textile products amounted to US$52.91 billion, representing a year-on-year drop by approximately 0.7%. Garment export amounted to US$75.47 billion, representing a drop by approximately 4.7% over the corresponding period, among which US$17.84 billion was exported to the European Union ("EU"), representing a drop by approximately 9.3% over the corresponding period last year. The drop was mainly caused by the persistent depreciation of the Euro dollar and insufficient consumption demand; furthermore, since 1 January 2015, the EU has terminated the Generalized System of Preferences (GSP) treatment on Chinese textile and garment products, which also brought adverse effect to the export of Chinese garment product. Garment export to the US amounted to US$15.25 billion, representing an increase by approximately 7.1% over the corresponding period, mainly benefited from the increase in consumption demand prompted by the US economic recovery. Garment export to Japan amounted to US$7.71 billion, representing a drop by approximately 12.8% over the corresponding period, mainly due to the shift of importing source from China to other countries such as Vietnam and Indonesia by the Japanese garment importers. Hence, the market share of China's garment products shows a decreasing trend in the Japanese import market. Of the garment products exported, the export value of knitted garments amounted to US$31.27 billion from January to June 2015, representing a decrease of 10.9% as compared with the same period last year, the decrease is greater than the average level of overall garment products.

For the domestic garments consumer market, according to the National Bureau of Statistics of China, RMB637.5 billion total retail sales of goods among the "over-the-threshold" enterprises from January to June 2015 came from garments, footwear, hats and knitwear, representing a year-on-year increase of approximately 11%, and up by about 1 percentage point as compared with the same period last year. The huge consumption demand in mainland China attracted foreign garment brands to rapidly expand in China's market layout, whereas the competitive pressure for retail brands in mainland China has not been alleviated by the increase in demand.

The world's leading garment exporter, Vietnam continued to maintain a leading position in terms of growth. According to statistics of Vietnam Customs, from January to June 2015, Vietnam's textile and garment export amounted to about US$10.26 billion, representing an increase of about 10% as compared to the same period of last year. Of which: exports to the US amounted to approximately US$5.13 billion, representing an increase of about 13% as compared to the same period of last year, exports to Japan amounted to about US$1.22 billion, representing an increase of about 5%. Vietnam ranked as the second largest garment exporting country for the US and Japanese markets, just inferior to China. From January to June 2015, Vietnam imported fabrics from abroad for an amount totaling approximately US$4.98 billion as compared to the same period of last year, representing an increase of about 8.9%, of which imports of fabric from China accounted for about US$2.53 billion, an increase of about 13% as compared to the same period of last year. Obviously, Vietnam's garment industry has not yet been able to solve the problem of depending on importing fabrics from abroad. As a member of "Trans-Pacific Partnership Agreement" (TPP), and after the formal implementation of TPP, Vietnam's textile and garment exports to the US will be able to enjoy zero tariffs, well below the current rate of tariffs of 17%-32%. The premise for TPP member countries to enjoy zero tariff for importing textile and garment products is "starting from yarn" (that is, all production processes from spinning, weaving, dyeing and finishing must be made within the TPP region). To promote better development of the garment industry, the Vietnamese government encouraged the introduction of foreign capital investment in the upstream industry of clothing industries, and it has achieved significant results, including the confirmation of a number of enterprises such as Hong Kong, Taiwan, China and Korea to invest in Vietnam.

During the period, the exports revenue of Chinese apparel products dropped for the first time in the past five years. Rising labor costs continue to be the biggest challenge for the growth of China's textile and garment enterprises, and lack of demand in global markets as well as some garment importers' shift of purchase from China to other countries, added to the pressure of Chinese garment enterprises in their running of the industry. The purchase price of the raw material of cotton yarn slightly dropped as the result of lower prices of cotton and crude oil; the exchange rate of the RMB against the US dollar tends to be relatively stable, while the yuan's appreciation against the euro and the yen remains trendy, all of which are not conducive to exports to the EU zone and Japan.

For January to June 2015, despite the more difficult operating environment for the industry, the Group achieved satisfactory growth in revenue and operating results with 11.9% and 16.7% increases in revenue and gross profit respectively, as compared with the same period in 2014, and also, profit after tax rose by 18.7%, to realizing earnings per share of RMB0.80. During the period, the Group further expanded the construction of its overseas production bases and provided customers with a more comprehensive range of services, laying a healthy foundation for the long term development for the Group.

During the period, the Group's investment in Vietnam further enlarged. Following the construction of the fabric factory in Tay Ninh Province, Vietnam in 2013, the Group set up a new garment factory in Ho Chi Minh City, Vietnam in January 2015, to promote the establishment of a vertically integrated business model for overseas production bases. By the time that the fabric factory in Vietnam was put into production in November 2014, Phase I's production capacity has reached the expected level. At present the Group has started the Phase II capacity construction, the smooth operation of the fabric factory in Vietnam will mark the Group's initial success in applying its management and technology to overseas factories. Meanwhile, the construction of the new garment factory in Vietnam, expected to be completed by the end of the year, is also speeding up, and it is expected that there will be large-scale recruitment of staff in 2016. In order to utilize the new garment factory capacity sooner, the Group has efficiently built a temporary plant and completed the first batch of staff training. At present, the new garment factory in Vietnam has officially accepted orders from customers, as well as delivering quality goods to them.

The Group has enhanced staff stability by strengthening staff's vocational training and implementing employees' care campaigns; consequently production efficiency has proved to be more satisfactory. In addition, the Group's industry-leading, short delivery time promotion of technological innovation in manufacturing, and efforts towards the sustainable development of enterprises were recognised by its major customers. The new expanded production bases in Vietnam are expected to save import tariffs for clients, and thus will also be valued by them. The Group's consistently growing capabilities in providing customers services have promoted sales to all major clients during the period.

During the period, the product structure of the Group further optimized. Revenue from sportswear products represented 64.6% of total revenue, which was the highest proportion in the history of the Group. The Group continued its policy in sales reduction of casual wear applied to certain small and medium-sized clients, so as to satisfy the growing orders from core clients. For retail business, the Group sustained stable growth during the period. At present the total number of directly-managed stores is 40, which are mainly located in cities within the Yangtze River Delta region.

THE GROUP'S OPERATING RESULTS

Revenue

The Group's revenue for the six months ended 30 June 2015 amounted to RMB5,577,120,000, representing an increase of RMB593,483,000 or approximately 11.9% from RMB4,983,637,000 for the six months ended 30 June 2014. The increase in revenue of the Group during the period was mainly attributable to: 1) a satisfactory revenue increase in sportswear products, 2) the productivity efficiency is raised because the employees' turnover rate is more satisfactory comparing to the same period in last year.

A comparison of the Group's revenue for the six months ended 30 June 2015 and the six months ended 30 June 2014 by product categories is as follows:

	For the six months ended 30 June					
	2015		2014		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Sportswear	**3,605,295**	**64.6**	3,117,439	62.6	487,856	15.6
Causal wear	**1,375,784**	**24.7**	1,112,038	22.3	263,746	23.7
Lingerie	**534,677**	**9.6**	672,704	13.5	(138,027)	(20.5)
Other knitwear	**61,364**	**1.1**	81,456	1.6	(20,092)	(24.7)
Total revenue	**5,577,120**	**100.0**	4,983,637	100.0	593,483	11.9

For the six months ended 30 June 2015, revenue from sale of sportswear amounted to RMB3,605,295,000, representing an increase of RMB487,856,000 or approximately 15.6% from RMB3,117,439,000 for the six months ended 30 June 2014. The growth in revenue from sale of sportswear mainly came from the increased demand of international brands products in the European and American markets.

Revenue from sale of casual wear products increased by RMB263,746,000 or approximately 23.7% from RMB1,112,038,000 for the six months ended 30 June 2014 to RMB1,375,784,000 for the six months ended 30 June 2015. This was mainly due to: the increase in demand for purchasing casual wear by Japan and Mainland China; and our Group's continuing policy in sales reduction of casual wear applied to certain small and medium-sized clients, so as to satisfy the growing orders from core clients, offsetting the rate of increase for casual wear products.

Revenue from sale of lingerie products decreased by RMB138,027,000 or a drop of approximately 20.5% from RMB672,704,000 for the six months ended 30 June 2014 to RMB534,677,000 for the six months ended 30 June 2015. The decrease in revenue from sale of lingerie products was mainly attributable to the decreased purchasing demand of the Japanese market.

A comparison of the Group's revenue for the six months ended 30 June 2015 and the six months ended 30 June 2014 by market regions is as follows:

	For the six months ended 30 June					
	2015		2014		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
International sales						
Japan	**1,279,845**	**22.9**	1,406,301	28.2	(126,456)	(9.0)
Europe	**1,013,345**	**18.2**	875,797	17.6	137,548	15.7
US	**682,275**	**12.2**	460,239	9.2	222,036	48.2
Others	**1,258,992**	**22.6**	1,095,868	22.0	163,124	14.9
Sub-total for international sales	**4,234,457**	**75.9**	3,838,205	77.0	396,252	10.3
Domestic sales	**1,342,663**	**24.1**	1,145,432	23.0	197,231	17.2
Total revenue	**5,577,120**	**100.0**	4,983,637	100.0	593,483	11.9

For the six months ended 30 June 2015, the Group's revenue from the Japanese market was RMB1,279,845,000, representing a decrease of RMB126,456,000 or a drop of approximately 9.0% from RMB1,406,301,000 for the six months ended 30 June 2014. It was mainly due to the significant decrease in the purchase demand of the Japanese market for lingerie products, as well as the Group's reducing some of the orders from small and medium-sized customers in Japan.

The Group's revenue from the European market for the six months ended 30 June 2015 amounted to RMB1,013,345,000, representing an increase of RMB137,548,000 or approximately 15.7% from RMB875,797,000 for the six months ended 30 June 2014. It was mainly due to the increase in the purchase demand for our sportswear products by the European market.

The Group's revenue from the US market for the six months ended 30 June 2015 amounted to RMB682,275,000, representing an increase of RMB222,036,000 or approximately 48.2% from RMB460,239,000 for the six months ended 30 June 2014. The growth of the Group's sales from the US market was mainly attributable to the increase in consumption demand prompted by strengthening US economy.

The Group's revenue grew at a faster pace in other markets including South Korea, Taiwan and Hong Kong. Revenue from other markets for the six months ended 30 June 2015 increased by approximately 14.9% as compared with the six months ended 30 June 2014.

For the six months ended 30 June 2015, the Group increased 17.2% in its revenue from the domestic market as compared with last year, with sales of apparels in domestic market amounted to approximately RMB1,288,090,000, representing an increase of RMB212,529,000 or approximately 19.6% from RMB1,076,561,000 for the same period last year. The speedy growth in sales in the domestic market was mainly attributable to the increased purchase demand for sales of international brands in the PRC region.

Cost of sales and gross profit

The Group's cost of sales for the six months ended 30 June 2015 amounted to approximately RMB3,940,068,000 (for the six months ended 30 June 2014: RMB3,581,153,000). The Group's gross profit margin for sales for the six months ended 30 June 2015 was approximately 29.4%, representing an increase of approximately 1.3 percentage point from 28.1% for the six months ended 30 June 2014. Revenue for the period included a gain of RMB9,852,000 (for the six months ended 30 June 2014: loss of RMB12,010,000) from foreign currency forward hedges between US dollars and RMB. Gross profit margin for the period excluding such gain from foreign currency hedges was approximately 29.2% (for the six months ended 30 June 2014: 28.3%), representing an increase of 0.9 percentage point as compared to the same period of 2014. The major factors affecting the gross profit margin for the period were: 1) the improvement in employees' turnover rate and lean production management considerably increased production efficiency; 2) the product structure of the Group further optimized; 3) lowering of the purchase price of textile yarns as the result of the drop in the prices of cotton and petroleum; but the large increase in labour costs offset the increase in gross profit margin.

Equity attributable to equity holders of the Company

As at 30 June 2015, the Group's equity attributable to equity holders of the Company amounted to RMB11,779,800,000 (31 December 2014: RMB11,795,569,000), of which non-current assets, net current assets, non-current liabilities and non-controlling interests amounted to RMB6,151,965,000 (31 December 2014: RMB5,633,884,000), RMB8,541,755,000 (31 December 2014: RMB9,043,967,000), RMB2,898,482,000 (31 December 2014: RMB2,866,525,000) and RMB15,438,000 (31 December 2014: RMB15,757,000), respectively. The change in equity attributable to equity holders of the Company was mainly due to: 1) an increase in earnings during the period and 2) distribution of dividends for the year 2014 to the equity holders reduced the reserves.

Liquidity and financial resources

For the six months ended 30 June 2015, net cash generated from the Group's operating activities amounted to approximately RMB784,832,000 (for the six months ended 30 June 2014: RMB798,272,000). Cash and cash equivalents of the Group as at 30 June 2015 amounted to RMB2,164,505,000 (31 December 2014: RMB1,428,074,000). The balance of bank borrowings was RMB1,155,591,000 (31 December 2014: RMB46,737,000), all being short-term bank borrowings. The outstanding balance of the debt component of convertible bonds was RMB2,898,482,000 (31 December 2014: 2,864,675,000). Net borrowings (bank borrowings and the balance of the debt component of convertible bonds less cash and cash equivalents) of the Group as at 30 June 2015 amounted to RMB1,889,568,000 (31 December 2014: Net borrowings amounted to RMB1,483,338,000), net borrowings have increased by RMB406,230,000, mainly due to: the capital expenditure for the Vietnam production bases of the Group increased during the period and dividends distributed to equity holders for the year 2014.

Equity attributable to equity holders of the Company amounted to RMB11,779,800,000 (31 December 2014: RMB11,795,569,000). The Group was in a good cash flow position, with a debt to equity ratio (total outstanding borrowings (including the balance of the debt component of convertible bonds) as a percentage of equity attributable to the equity holders of the Company) was 34.4% (31 December 2014: 24.7%).

As at 30 June 2015, the cash and cash equivalent of the Group was RMB2,164,505,000, of which RMB1,377,596,140.20 was denominated in RMB, RMB732,262,761.71 was denominated in US dollar, RMB25,338,162.38 was denominated in Hong Kong dollar, RMB11,947,048.28 was denominated in Euro, RMB16,937,722.52 was denominated in Vietnamese dong and the remaining was denominated in other currencies (31 December 2014: RMB1,428,074,000, of which RMB986,285,739.03 was denominated in RMB, RMB407,493,696.11 was denominated in US dollar, RMB32,579,518.69 was denominated in Hong Kong dollar, RMB38,010.36 was denominated in Euro and RMB890,443.35 was denominated in Vietnamese dong and the remaining was denominated in other currencies). RMB and Vietnamese dong are not freely convertible into other currencies.

The Company issued convertible bonds in an aggregate principal amount of HK$3,900,000,000 (equivalent to approximately RMB3,097,380,000 if calculated at the exchange rate of HK$1=RMB0.7942) on 18 June 2014 (the "Issue Date"), bearing a coupon rate of 0.5% and payable semi-annually. The maturity date of convertible bonds is 18 June 2019 (the "Maturity Date"), unless previously redeemed, converted, purchased, cancelled or otherwise provided in the terms and conditions of the bonds. The Company will redeem the convertible bonds at 103.86% of their principal amounts on the Maturity Date. The initial conversion price of the bonds is HK$38.56 per share (subject to adjustment). The latest conversion price after adjustment at the disclosure date of this announcement was HK $38.00 per share. On the Issue Date, the initial recognition amount of RMB2,846,450,000 for the liability component of the bonds was calculated using a market interest rate of 3.55% for a non-convertible bond of the same class. Equity component amount of RMB197,140,000 was credited to the reserves of shareholders' equity. Net proceeds from the issue of these bonds were approximately HK$3,832,271,000, which was intended to be used for business expansion and for general corporate purpose.

Finance costs and tax

For the six months ended 30 June 2015, finance costs increased from RMB3,539,000 for the six months ended 30 June 2014 to RMB43,859,000 (out of which: the finance costs for convertible bonds amounted to approximately RMB42,594,000), mainly due to the increase of finance costs for the issuance of the convertible bonds on 18 June 2014.

For the six months ended 30 June 2015, income tax expense of the Group increased from RMB202,445,000 for the six months ended 30 June 2014 to RMB233,637,000, mainly due to the increase in taxable profit of the Group.

Pledge of the Group's assets

As at 30 June 2015, a forward exchange agreement in relation to bank balances of US$139,000,000, JPY5,800,000,000, EUR14,000,000 and CHF22,865,854 (in aggregate equivalent to approximately RMB1,404,242,000) (31 December 2014: US$144,854,052 (approximately RMB893,483,000)) has been entered into with relevant banks, pursuant to which, the bank balances were pledged as deposits in the relevant banks with an aggregate amount of RMB1,444,253,000 on maturity. The pledged deposits carry interest at fixed rates ranging from 1.2% to 2.5% per annum (31 December 2014: 1.2% to 2.5%) and will mature within one year from the agreement date.

Use of proceeds from the placing of new shares and alternative funding of the company

Placing of new shares in April 2012

The Company completed the 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$1:RMB0.8109) after deducting related share issue expenses. The intended use of the proceeds from such placing of new shares and the actual use of related 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 2015, the amount had been fully utilized;

- an amount of approximately RMB121,635,000 used to set up new garment production facilities and to purchase the relevant production equipment. As of 30 June 2015, 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 2015, approximately RMB72,062,000 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. As of 30 June 2015, the amount had been fully utilized.

As at 30 June 2015, the remaining net proceeds from the placing equivalent to approximately RMB9,028,000 was 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.

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 RMB1,216,625,000 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 (the "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 2015, the amount proceeds from such placing had been fully utilized. 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.

Issuance of convertible bonds in June 2014

The Company issued convertible bonds in an aggregate principal amount of HK$3,900,000,000 (equivalent to approximately RMB3,097,380,000 when calculated with the exchange rate of HK$1=RMB0.7942 on the Issue Date) on the Issue Date, bearing a coupon rate of 0.5% and payable semi-annually. The maturity date of convertible bonds is on the Maturity Date, unless early redeemed, converted, purchased, cancelled or otherwise provided in the terms and conditions of the bonds. The Company will redeem the convertible bonds at 103.86% of their principal amounts on the Maturity Date. The initial conversion price of the bonds is HK$38.56 per share (subject to adjustment). The latest conversion price after adjustment at the disclosure date of this announcement was HK$38.00 per share. On the Issue Date, the initial recognition amount of RMB2,846,450,000 for the liability component of the bonds was calculated using a market interest rate of 3.55% for a non-convertible bond of the same class. Equity component amount of RMB197,140,000 was credited to the reserves of shareholders' equity. Net proceeds from the issue of those bonds were approximately HK$3,832,271,000, which was intended to be used for business expansion and for general corporate purpose. As at 30 June 2015, approximately HK$1,871,616,000 of the proceeds from such issue had been utilized mainly in expanding the Vietnam production bases and as general working capital. For details of the issuance of convertible bonds, please refer to the announcement of the Company dated 22 May 2014, 18 June 2014 and 19 June 2014.

As of 30 June 2015, no convertible bonds have been converted into shares of the Company pursuant to the relevant terms.

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 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 expectation on 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.

As at 30 June 2015, a forward exchange agreement in relation to bank balances of US$139,000,000, JPY5,800,000,000, EUR14,000,000 and CHF22,865,854 (equivalent to approximately RMB1,404,242,000) (31 December 2014: US$144,854,052 (approximately RMB893,483,000)) has been entered into with relevant banks, pursuant to which, the bank balances were pledged as deposits in the relevant banks with an aggregate amount of RMB1,444,253,000 on maturity. The pledged deposits carry interest at fixed rates ranging from 1.2% to 2.5% per annum (31 December 2014: 1.2% to 2.5%) and will mature within one year from the agreement date.

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 for an appropriate amount of borrowing in US dollar and loans in Hong Kong dollar, which is linked with the US in exchange rate. As at 30 June 2015, among the total bank borrowings were borrowing US$ for about RMB51,551,000 (with the original currency amount of about US$8,432,000), HK$ loans for RMB1,104,040,000 (with the original currency amount of about HK$1,400,000,000) (31 December 2014: RMB46,737,000 (with the original currency amount of about US$7,638,000)).

Employment, training and development

As at 30 June 2015, the Group employed approximately 69,100 employees in total. Total staff costs, including management and administrative staff, accounted for approximately 30.5% (for the six months ended 30 June 2014: 26.2%) 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 2015, the Group's total investment in property, plant and equipment and prepaid land lease payments amounted to approximately RMB802,870,000, of which approximately 15% was used for the acquisition of production equipment, approximately 78% 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.

As at 30 June 2015, the Group had contracted capital commitments of approximately RMB705,446,000 in connection with the acquisition and construction of properties, plants and equipment, which will be mainly financed by the net proceeds from the issuance of convertible bonds and internal resources.

Significant Investments, Acquisitions and Disposals

The Group is investing in fabric and garment factories in Vietnam. For the six months ended 30 June 2015, the accumulated investment amount of the Group in Vietnam amounted to US$311 million. Other than that, Company did not have any other significant investments, acquisitions and disposals.

Contingent liabilities

As at 30 June 2015, the Group did not have any material contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events since 30 June 2015 up to the date of this announcement which would have material effect to the Group.

FUTURE PROSPECTS AND STRATEGIES

The ever rising labor costs and the garment importing countries' adoption of differentiated tariffs policies in the import sector for the garment products made in China and other countries pose the biggest challenge for the development of China's textile and garment industries. Despite that China is still the largest apparel export country in the world; China's global market share in garment products shows a decreasing trend year by year. Vietnam and other Southeast Asian countries are taking up the market share lost by China through their more competitive costs advantage and their more favorable tax policy; they have already succeeded in transferring and drawing overseas industry capital to them or expanding production capacities in their countries, rapidly narrowing the gap between China and themselves in industrial foundation. However, China's huge domestic market needs, excellent infrastructure, and a large pool of outstanding management and technical personnel of the industry will continue to promote the long term development of the apparel industry in China.

The scale of cross border transfer of the industry will lead to the rise of manufacturing costs of the investing countries and enhance the industry's overseas competition. It is believed that after an optimal transition and transferring process, the global layout of the garment manufacturing industry will reach a new equilibrium. Our Group endeavors that large scale of overseas transfer of industries, as well as ideal production efficiency will be efficiently established. It also aims to realize the entrepreneurial success in transferring management and technical skills overseas, to be the first to seize opportunities in the competitive industrial platform and lay the foundation for its long-term development.

Our Group will continue the expansion of the scale of production capacity in Vietnam, advancing as planned, the construction and commencement of production of Phase II and Phase III of the fabric factory and acceleration of building of production facilities of overseas garment factories, so as to form a vertically-integrated business model overseas. At the same time, it aims to cultivate a batch of local employees, who would identify themselves as members of the Group's corporate culture, speed up the production efficiency of the new plant, produce high-quality products, as well as providing customers with better service.

Our Group will further commit in the research and development of the mainland production bases, enhance the enterprise's continual innovation power, and with the support of all of its divisions, the Group also targets to realize lean production management and improving production techniques, as well as to increase the provision of technical and management services to its overseas production bases. Due to persistent increase of labour costs, we have established an enterprise innovation center which has carried out perfection trial tests on the automated production line, and repeatedly applied the developed programs in our large scale production. Looking ahead, the Group will continuously improve itself; provide customers with products that are more recognized by consumers, and shorten product delivery time to make our services more competitive compared with the others.

While the Group is China's largest garment manufacturer in terms of export value, the global market share is still small. Amidst the current predicament of the industry, we, nevertheless see opportunities for development and thrive. While the production demand of existing core clients has been guaranteed at first place, the Group also actively introduces high quality international brands as new clients. The steady development in retail will continue with optimization of the development strategy of prioritizing existing directly-operated stores. Market demand is the driving force of growth; we will make unremitting efforts to bring ideal returns for our investors.

DIVIDENDS

At the Company's annual general meeting held on 28 May 2015, the shareholders of the Company approved the payment of a final dividend of HK$1.00 (equivalent to approximately RMB0.79) (including a special dividend of HK$0.35) per share for the year ended 31 December 2014 to the shareholders whose names appeared on the register of members of the Company at the close of business on 8 June 2015. The dividend was paid by the Company on 23 June 2015 in cash.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2015 (for the six months ended 30 June 2014: 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 2015. 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 2014 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 were revised accordingly based on amendments to the Listing Rules and the CG Code. Such terms of reference for each committee 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 2015 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. Such policy and 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 (the "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 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 strict compliance with the relevant provisions of the Securities Trading Code throughout the period ended 30 June 2015.

Senior management may be in possession of unpublished price-sensitive information or inside information due to their positions in the Company, and hence, are required to comply with the dealing restrictions under the Securities Trading Code.

CHANGES TO INFORMATION OF DIRECTORS

During the period ended 30 June 2015, there were no changes to the information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2015.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 30 June 2015.

THE BOARD

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The principal responsibilities of the Board include the formulation of the Group's business strategies and management objectives, supervision of the management and evaluation of the effectiveness of management strategies.

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.hk) and the Company's website (www.shenzhouintl.com) in due course.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules on 9 October 2005. As of the issuance of this announcement, the Audit Committee comprises four Independent Non-executive Directors, namely Mr. Jiang Xianpin, Mr. Chen Xu, Mr. Chen Genxiang and Mr. Qiu Weiguo. Mr. Jiang Xianpin was the Chairman of the Audit Committee. His expertise in accounting, auditing and finance enables him to provide leadership of the Audit Committee.

The principal responsibilities of the Audit Committee are to conduct critical and objective reviews of the Group's financial and accounting practices and internal controls. These include determining the nature and scope of statutory audit, reviewing the Group's interim and annual accounts and assessing the completeness and effectiveness of the Group's accounting and financial controls.

The terms of reference of the Audit Committee are consistent with the recommendations as set out in "A Guide for Effective Audit Committee" published by the HKICPA and the provisions of the CG Code.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2015.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with the CG Code on 9 October 2005. As of the issuance of this announcement, the Remuneration Committee comprises Mr. Ma Renhe, an executive Director, Mr. Chen Genxiang, Mr. Cheu Xu and Mr. Jiang Xianpin, Independent Non-executive Directors. Mr. Chen Genxiang is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure for the Directors and senior management and on the establishment of a formal and transparent process for approving such remuneration policy. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management. No Director will take part in any discussion on his or her own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, responsibility, and job complexity are taken into account.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 October 2005. As of the issuance of this announcement, the Nomination Committee comprises Mr. Ma Jianrong, an executive Director Mr. Qiu Weiguo and Mr. Jiang Xianpin, both independent non-executive Directors. Mr. Ma Jianrong was the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to identify candidates with suitable qualifications as Directors, select and nominate such candidates for directorship and provide recommendations to the Board accordingly; regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board for any proposed changes.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this announcement.

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

Hong Kong, 24 August 2015

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