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 2015

HIGHLIGHTS

- Sales for the year ended 31 December 2015 amounted to approximately RMB12,639,332,000, representing an increase of 13.5% when compared with the year of 2014.
- For the year ended 31 December 2015, percentage of sports wear products sales to total sales was approximately 63.5%. Sports goods sales increased by 17.5% when compared with the year of 2014.
- For the year ended 31 December 2015, percentage of casual wear products sales to total sales was approximately 27.5%. Casual wear products sales increased significantly by 27.6% when compared with the year of 2014.
- For the year ended 31 December 2015, percentage of lingerie wear products to total sales was approximately 8.1%. Lingerie sales decreased by 29.6% when compared with the year of 2014.
- Gross profit margin stood at 30.5% in 2015, increasing from last year by 1.5 percentage point. Gross profit for the year ended 31 December 2015 amounted to RMB3,848,916,000, representing an increase of 19.3% when compared with the year of 2014.
- Net profit for the year ended 31 December 2015 amounted to RMB2,354,842,000, an increase of approximately 13.9% when compared with the year of 2014.
- Proposed to declare a final dividend of HK$1.07 (approximately RMB0.90) per ordinary share (including a special dividend of HK$0.35), representing an increase of 7.0% when compared with HK$1.00 (approximately RMB0.79) of 2014.

* *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 2015, together with the comparative amounts for the corresponding year of 2014 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Notes	**2015** **RMB'000**	2014 RMB'000
REVENUE	4	**12,639,332**	11,131,532
Cost of sales		**(8,790,416)**	(7,904,911)
Gross profit		**3,848,916**	3,226,621
Other income and gains	4	**459,402**	420,167
Selling and distribution expenses		**(255,494)**	(247,957)
Administrative expenses		**(962,064)**	(792,868)
Other expenses		**(104,169)**	(15,328)
Finance costs	5	**(98,733)**	(46,442)
Share of losses of an associate		**(957)**	(846)
PROFIT BEFORE TAX	6	**2,886,901**	2,543,347
Income tax expense	7	**(532,059)**	(476,717)
PROFIT FOR THE YEAR		**2,354,842**	2,066,630
Attributable to:			
Owners of the Company		**2,354,664**	2,065,867
Non-controlling interests		**178**	763
		2,354,842	2,066,630
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
– For profit for the year		**RMB1.68**	RMB1.48
Diluted			
– For profit for the year		**RMB1.62**	RMB1.45

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,354,842**	2,066,630
OTHER COMPREHENSIVE INCOME		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(2,961)**	14,679
Reclassification adjustments for gains recognised in the consolidated statement of profit or loss	**(6,402)**	(7,908)
	(9,363)	6,771
Exchange differences on translation of foreign operations	**36,921**	34,447
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**27,558**	41,218
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,382,400**	2,107,848
ATTRIBUTABLE TO:		
Owners of the Company	**2,382,222**	2,107,085
Non-controlling interests	**178**	763
	2,382,400	2,107,848

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015** *RMB'000*	2014 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,549,750**	4,183,860
Prepaid land lease payments		**931,255**	773,854
Intangible assets		**109,450**	102,846
Entrusted loans	*12*	**550,000**	555,000
Long-term time deposits at banks		**300,000**	–
Investment in an associate		**4,677**	5,634
Deferred tax assets		**4,981**	12,690
Total non-current assets		**7,450,113**	5,633,884
CURRENT ASSETS			
Inventories		**3,232,847**	2,607,210
Trade and bills receivables	*10*	**2,001,783**	1,642,917
Prepayments, deposits and other receivables		**676,284**	1,112,694
Amounts due from related parties		**559**	–
Entrusted loans	*12*	**120,000**	60,000
Available-for-sale investments	*13*	**800,000**	320,000
Derivative financial instruments		**–**	11,214
Structured deposits	*15*	**110,000**	2,211,160
Pledged deposits	*14*	**1,830,908**	893,483
Bank deposits with an initial term of over three months		**323,442**	22,392
Cash and cash equivalents		**1,815,678**	1,428,074
Total current assets		**10,911,501**	10,309,144
CURRENT LIABILITIES			
Trade and bills payables	*11*	**678,535**	467,624
Advances from customers		**5,130**	7,793
Other payables and accruals		**642,939**	610,308
Interest-bearing bank borrowings		**656,851**	46,737
Amount due to a related party		**2,166**	1,860
Tax payable		**169,148**	130,855
Total current liabilities		**2,154,769**	1,265,177

	2015	2014
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**8,756,732**	9,043,967
TOTAL ASSETS LESS CURRENT LIABILITIES	**16,206,845**	14,677,851
NON-CURRENT LIABILITIES		
Convertible bonds	**3,117,009**	2,864,675
Deferred tax liabilities	**–**	1,850
Total non-current liabilities	**3,117,009**	2,866,525
NET ASSETS	**13,089,836**	11,811,326
EQUITY		
Equity attributable to owners of the Company		
Share capital	**142,105**	142,105
Reserves	**12,932,015**	11,653,464
	13,074,120	11,795,569
Non-controlling interests	**15,716**	15,757
Total equity	**13,089,836**	11,811,326

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 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 POLICIES AND DISCLOSURES

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	
Annual Improvements to HKFRSs 2011-2013 Cycle	

The adoption of the above revised standards has had no significant financial effect on these financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**2,995,543**	2,487,429
Japan	**2,859,692**	3,081,139
European Union	**2,319,860**	1,929,613
United States of America	**1,588,689**	1,300,040
Other countries	**2,875,548**	2,333,311
	12,639,332	11,131,532

The revenue information of continuing operations above is based on the delivery destinations of the products.

(b) Non-current assets

	2015	2014
	RMB'000	*RMB'000*
Mainland China	**4,334,664**	4,053,915
Vietnam	**2,149,758**	902,972
Cambodia	**99,474**	96,851
Other regions	**6,559**	6,822
	6,590,455	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 8% or more of the Group's revenue is as follows:

	2015	2014
	RMB'000	*RMB'000*
Customer A	**3,139,511**	2,610,476
Customer B	**3,137,291**	2,331,925
Customer C	**2,738,298**	2,367,393
Customer D	**1,092,108**	999,872

4. REVENUE, OTHER INCOME AND GAINS

Revenue 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:

	2015	2014
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**12,639,332**	11,131,532
Other income		
Government grants	**216,410**	273,801
Bank interest income	**187,189**	90,710
Interest income from entrusted loans	**35,246**	34,725
Rental income	**20,557**	20,931
	459,402	420,167

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	RMB'000	*RMB'000*
Interest on convertible bonds	**88,446**	44,834
Interest on bank borrowings	**10,287**	1,608
	98,733	46,442

6. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories sold	**8,778,279**	7,132,905
Depreciation	**492,045**	415,749
Amortisation of prepaid land lease payments	**20,536**	18,928
Amortisation of intangible assets	**9,681**	7,966
Minimum lease payments under operating leases	**84,049**	82,660
Auditors' remuneration	**2,783**	2,600
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**3,249,587**	2,648,458
Pension scheme contributions	**180,709**	126,157
Other benefits	**98,492**	83,572
	3,528,788	2,858,187
Foreign exchange differences, net*	**87,503**	2,375
Write-down of inventories to net realisable value	**11,023**	10,522
Bank interest income	**(187,189)**	(90,710)
Other interest income	**(35,246)**	(34,725)
Loss on disposal of items of property, plant and equipment	**5,847**	2,838

* *The foreign exchange differences, net for the years ended 31 December 2015 and 31 December 2014 are included in "Other expenses" 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 2015 and 2014 are:

	2015	2014
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**27,053**	23,497
Current Mainland China corporate income tax ("**CIT**")	**497,297**	457,475
Deferred taxation	**7,709**	(4,255)
	532,059	476,717

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% (2014: 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 BVI**"), 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% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong.

Shenzhou (Cambodia) Co., Ltd. ("**Shenzhou Cambodia**") and Daqian Textile (Cambodia) Co., Ltd. ("**Daqian Cambodia**"), wholly-owned subsidiaries incorporated in the Kingdom of Cambodia, under the Law of 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 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% (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 year.

Gain Lucky (Viet Nam) Co., Ltd. ("**Gain Lucky Vietnam**") and Worldon (Viet Nam) Company Limited ("**Worldon (Vietnam)**"), wholly-owned subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%, and 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 the first profit–making year and the fourth year since its establishment. Furthermore, under the laws and regulations of Vietnam, provided that (a) the total investment of at least VND 6,000 billion (approximately US$300 million) is paid by June 2016 and January 2018 for Gain Lucky Vietnam and Worldon (Vietnam) Company Limited, respectively; and (b) it maintains a minimum annual revenue of US$500 million within three years from the date of generating revenue, or it employs more than 3,000 staff members within three 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 four years and 50% of its profits tax will be waived for the nine 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 PRC subsidiaries for the year as determined in accordance with the New CIT Law are subject to a tax rate of 25% on their assessable income.

During 2013, Ningbo Daqian Knitwear Co., Ltd. ("**Daqian Knitting**"), a wholly-owned subsidiary established 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 2015 and 2014 is as follows:

	2015	2014
	RMB'000	*RMB'000*
Profit before tax	**2,886,901**	2,543,347
Tax at the statutory tax rate of 25% (2014: 25%)	**721,725**	635,837
Lower tax rates for specific jurisdictions or enacted by local authorities	**(206,230)**	(194,790)
Adjustments in respect of current tax of previous periods	**(123)**	(3,900)
Profits and losses attributable to associate	**239**	212
Income not subject to tax	**(10)**	(210)
Expenses not deductible for tax	**18,328**	8,383
Tax losses not recognised during the year	**41,511**	35,852
Utilisation of previously unrecognised deductible tax losses	**(43,381)**	(4,667)
	532,059	476,717

8. DIVIDENDS

	Company	
	2015	2014
	RMB'000	*RMB'000*
Proposed final dividend of HK$1.07 (including a special dividend of HK$0.35) (2014: HK$1.00 (including a special dividend of HK$0.35)) per ordinary share	**1,254,128**	1,103,671

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 COMPANY

a) Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company	**2,354,664**	2,065,867
Weighted average number of ordinary shares in issue *(thousands)*	**1,399,000**	1,399,000

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.

	2015	2014
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company	**2,354,664**	2,065,867
Interest expense on convertible bonds (net of tax)	**73,852**	37,437
Profit used to determine diluted earnings per share	**2,428,516**	2,103,304
Weighted average number of ordinary shares in issue *(thousands)*	**1,399,000**	1,399,000
Adjustment for:		
Assumed conversion of convertible bonds *(thousands)*	**102,632**	54,953
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,501,632**	1,453,953

10. TRADE AND BILLS RECEIVABLES

	2015	2014
	RMB'000	*RMB'000*
Trade and bills receivables	**2,001,783**	1,642,917

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:

	2015	2014
	RMB'000	*RMB'000*
Within three months	**1,902,454**	1,542,666
Over three months	**99,329**	100,251
	2,001,783	1,642,917

The aged analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2015	2014
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,993,905**	1,571,146
Less than three months past due	**3,135**	13,582
Over three months past due	**4,743**	58,189
	2,001,783	1,642,917

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 December 2015, the trade and bills receivables were denominated in the following currencies:

	2015		2014	
	Original currency	**RMB equivalent**	Original currency	RMB equivalent
	in thousand	***RMB'000***	*in thousand*	*RMB'000*
US$	**178,429**	**1,158,647**	173,463	1,061,418
RMB		**843,136**		581,499
		2,001,783		1,642,917

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:

	2015	2014
	RMB'000	*RMB'000*
Within six months	**642,818**	454,016
Six months to one year	**21,636**	1,781
One year to two years	**4,341**	5,032
Over two years	**9,740**	6,795
	678,535	467,624

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

12. ENTRUSTED LOANS

	2015			2014		
	Interest rate *(%)*	**Maturity**	**Principal amount** ***RMB'000***	Interest rate *(%)*	Maturity	Principal amount *RMB'000*
Current						
Entrusted loans – secured	**5.05 – 5.10**	**2016**	**120,000**	5.85 – 6.15	2015	60,000
Non-current						
Entrusted loans – secured	**6.21 – 6.40**	**2017**	**550,000**	6.21 – 6.40	2017	555,000
			670,000			615,000

13. AVAILABLE-FOR-SALE INVESTMENTS

	2015 ***RMB'000***	2014 *RMB'000*
Financial products issued by financial institutions	**800,000**	320,000

As at 31 December 2015, certain financial products issued by financial institutions with a carrying amount of RMB800,000,000 (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 5.0% (2014: 5.2%). Pursuant to the underlying contracts or notices, these financial products are capital guaranteed upon the maturity date. The Group does not intend to dispose of them in the near future.

14. PLEDGED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Pledged for foreign currency swaps	**1,830,908**	893,483

As at 31 December 2015, bank balances of US$208,046,335, JPY5,800,000,000, EUR14,000,000 and CHF22,865,584 (totaling approximately RMB1,830,908,000) (2014: US$144,854,052, equivalent to approximately RMB893,483,000) were restricted until certain foreign currency swaps held by the Group are settled. The pledged deposits carry interest at fixed rates ranging from 1.2% to 2.9% (2014: from 1.2% to 2.5%) per annum.

15. STRUCTURED DEPOSITS

	2015	2014
	RMB'000	*RMB'000*
Structured deposits in licensed banks in the PRC, at amortised cost	**110,000**	2,211,160

These structured deposits have terms of less than one year and have fixed annual rates of return at 3.6% (2014: from 4.0% to 4.9%). Pursuant to the underlying contracts or notices, these structured deposits are capital and return guaranteed upon the maturity date. No redemption ahead of the maturity date is allowed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

Business Review

China's labor cost kept rising in 2015. Due to insufficient global demand and shift of procurement activities away from China, the export value of China's garment dropped for the first time in five years. China's garment manufacturing industry was facing dual pressure in terms of surging costs and insufficient demand. To counter such unfavorable operating environment, the Group moved early to set up overseas production bases and preliminarily formed an integrated production model. Production efficiency is further enhanced by deepening and improving production management and keeping staff settled. The Group also reinforced its effort in exploring the application of automatic production model to curb the pressure on rising labor costs. During the year, the Group maintained outstanding growth in revenue and achieved decent operating results. In 2015, the revenue and profit attributable to equity holders increased by 13.5% and 14.0% respectively over 2014, both reaching historical high levels. We believe that with the large-scaled production of the Group's overseas production bases, better production facilities will be provided to different sales markets of our customers.

Construction of overseas bases

After the Phase I project of the fabric factory in Vietnam commenced production in November 2014, the construction of the Phase II project was also basically completed during the year. The operation management of the fabric factory in Vietnam had become comparatively stable through its own continuous improvements and operation trainings, as well as the counter assistance from each department of the Group. The factory is ready for further expansion that they have adequate management talents for more fabric projects. The construction of production plant and all kinds of facilities for the new garment factory in Vietnam was basically completed during the year and recruitment was in process. Besides expanding its production scale for garment in Vietnam, the Group also emphasizes the control of product quality and delivery period. We enhance our capacity progressively and steadily to procure the protection of the overall interest of clients and gradually provide services to more clients. Presently, fabrics used for garment manufacturing at overseas bases are basically supplied by the fabric factory in Vietnam. Ancillary procedures of garment manufacturing such as printing and embroidery also started simultaneously, initially forming an integrated production model of overseas bases.

Lean production management

During the year, the Group had been further reinforcing its lean production management by strengthening industrial project analysis and materials management. Stability of staff turnover was maintained via vocational trainings and employees' care campaigns. Production efficiency was further raised during the year, especially in the garment factory in Cambodia and Anhui, the Group had therefore over-achieved its business growth target even the garment productivity in Vietnam was still in preliminary stage. The Group had implemented lean production for years, in which the focus was switched from labor-intensive garment process to improvement of the entire production chain during the year.

Facilitate transformation and upgrade

As Chinese industry had become less competitive, the Group aggressively facilitated the transformation and upgrade of domestic production bases. With the enterprise's continuous innovation and compliance as its development foundation; quality products and all-round services as its competitive edges, the Group had lifted the competitiveness of its domestic bases under the unfavorable operating environment. In meeting the target of staff reduction, the Group built a Corporate Innovation Centre to enhance production automation by replacing human with machinery gradually. We also expect to establish a system to continuously explore production model for future. Besides, a sustainable group-level department was set up to reinforce the corporate's management in environmental protection, energy conservation and emission reduction, human resources and risk control, so as to facilitate the long-term development of the Group. We optimized talents introduction system, provided a good working environment and further strengthened the R&D and innovation of new fabric to progressively enhance the Group's differentiated advantages in quality and environmental protection, as well as raise the additional value of the products.

Optimize product structure

During the year, the Group had further optimized its product structure. Revenue from sportswear products represented 63.5% of total revenue, in which the proportion of new fabric products rose further. Proportion in sales to core clients continued increasing. On the premise of satisfying the demand of core clients, we also introduced certain quality new clients. For retail business, the Group sustained stable growth. At present, the total number of the Group's directly-managed stores is 47, which are mainly located in cities within the Yangtze River Delta region. In view of the huge consumption demand in domestic market, there are opportunities for retail business.

FINANCIAL REVIEW

Revenues

Revenue for the year ended 31 December 2015 amounted to approximately RMB12,639,332,000, representing an increase of RMB1,507,800,000 or about 13.5% when compared to RMB11,131,532,000 for the year ended 31 December 2014. The increase in revenue was mainly due to: (1) satisfactory revenue growth in sportswear; (2) the increase in productivity of the factories in Vietnam and Cambodia; and (3) the continuous increase in production efficiency of the Group.

The comparison of the revenue of the Group for 2015 and 2014 by product categories is as follows:

	For the year ended 31 December					
	2015		2014		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sports wear	**8,028,054**	**63.5**	6,830,432	61.4	1,197,622	17.5
Casual wear	**3,476,499**	**27.5**	2,724,394	24.5	752,105	27.6
Lingerie wear	**1,022,233**	**8.1**	1,452,274	13.0	(430,041)	(29.6)
Other knitwear	**112,546**	**0.9**	124,432	1.1	(11,886)	(9.6)
Total revenue	**12,639,332**	**100.0**	11,131,532	100.0	1,507,800	13.5

For the year ended 31 December 2015, revenue from sale of sportswear amounted to approximately RMB8,028,054,000, representing an increase of RMB1,197,622,000 or 17.5% from approximately RMB6,830,432,000 for the year ended 31 December 2014. The increase in revenue from sales of sportswear was mainly attributable to the increase in demands of international brands in the Europe and US as well as the mainland China.

Revenue from sale of casual wear increased from RMB2,724,394,000 for the year ended 31 December 2014 to RMB3,476,499,000 for the year ended 31 December 2015, representing an increase of RMB752,105,000 or approximately 27.6%, which was mainly attributable to the increase in demand for purchase of casual wear in Japan and mainland China.

Revenue from sale of lingerie products dropped from RMB1,452,274,000 for the year ended 31 December 2014 to RMB1,022,233,000 for the year ended 31 December 2015, representing a decrease of RMB430,041,000 or approximately 29.6%, which was mainly attributable to the decrease in demand for purchase of lingerie in Japan.

The comparison of the revenue of the Group for 2015 and 2014 by market regions is as follows:

	For the year ended 31 December					
	2015		2014		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
Japan	**2,859,692**	**22.6**	3,081,139	27.7	(221,447)	(7.2)
Europe	**2,319,860**	**18.4**	1,929,613	17.3	390,247	20.2
US	**1,588,689**	**12.6**	1,300,040	11.7	288,649	22.2
Other countries	**2,875,548**	**22.7**	2,333,311	21.0	542,237	23.2
Sub-total for international sales	**9,643,789**	**76.3**	8,644,103	77.7	999,686	11.6
Domestic sales	**2,995,543**	**23.7**	2,487,429	22.3	508,114	20.4
Total revenue	**12,639,332**	**100.0**	11,131,532	100.0	1,507,800	13.5

For the year ended 31 December 2015, the Group's revenue from the Japanese market was approximately RMB2,859,692,000, representing a decrease of RMB221,447,000 or approximately 7.2% as compared to approximately RMB3,081,139,000 for the year ended 31 December 2014, which was mainly attributable to the decrease in import demand for garment in Japan, and the decline in sales of lingerie of the Group in Japan. In addition, the Group reduced orders from some of its small and medium Japanese clients.

The Group's revenue from the European market for the year ended 31 December 2015 amounted to approximately RMB2,319,860,000, representing an increase of RMB390,247,000 or approximately 20.2% from approximately RMB1,929,613,000 for the year ended 31 December 2014. The Group's sale in the EU market was facilitated by the relatively favorable tariff policies in the EU towards garment products from Cambodia, and the increase in efficiency and garment productivity in the Group's factory in Cambodia.

The Group's revenue from the US market for the year ended 31 December 2015 amounted to approximately RMB1,588,689,000, representing an increase of RMB288,649,000 or approximately 22.2% from RMB1,300,040,000 for the year ended 31 December 2014, which was mainly attributable to the rapid increase in demand for sportswear of the Group. The US economic recovery and the appreciation of the exchange rate of US dollar against RMB led to stronger demand for garment consumption in the US market.

The Group maintained its satisfactory revenue growth in other markets including Korea, Russia and Hong Kong. Revenue from other markets for the year ended 31 December 2015 surged by 23.2% as compared with last year.

For the year ended 31 December 2015, the revenue of the Group from domestic market increased 20.4% as compared with last year, with sales of apparels in the domestic market amounted to approximately RMB2,883,217,000, representing an increase of RMB510,271,000 or approximately 21.5% from RMB2,372,946,000 last year. Sales growth in the domestic market was mainly from the sales of international brand clients in the domestic market.

Cost of sales and gross profit

The Group's cost of sales for the year ended 31 December 2015 amounted to approximately RMB8,790,416,000 (2014: RMB7,904,911,000). The Group's gross profit margin of sales in 2015 was 30.5%, representing an increase of approximately 1.5 percentage point when compared to 29.0% in 2014. During the year, major factors affecting the gross profit margin included: (1) the enhanced employee stability and the lean production management resulted in improvement in production efficiency; (2) the product structure of the Group continued to optimize; (3) the depreciation of exchange rate of RMB against US; and (4) the decrease in prices of cotton and oil resulted in decline of procurement cost of raw materials, while the hike in labor costs offset the increase of the gross profit margin.

Equity attributable to equity holders of the Company

As at 31 December 2015, the Group's equity attributable to equity holders of the Company amounted to RMB13,074,120,000 (2014: RMB11,795,569,000), of which non-current assets, net current assets, non-current liabilities and equity attributable to non-controlling interests amounted to RMB7,450,113,000 (2014: RMB5,633,884,000), RMB8,756,732,000 (2014: RMB9,043,967,000), RMB3,117,009,000 (2014: RMB2,866,525,000) and RMB15,716,000 (2014: RMB15,757,000), respectively. The increase in equity attributable to equity holders of the Company was mainly attributable to the increase in retained earnings during the year.

Liquidity and financial resources

For the year ended 31 December 2015, net cash generated from the Group's operating activities amounted to approximately RMB2,259,107,000; in 2014, it was approximately RMB1,918,441,000. Cash and cash equivalents of the Group as at 31 December 2015 amounted to RMB1,815,678,000, of which RMB1,038,440,000 was denominated in RMB, RMB735,870,000was denominated in US dollar, RMB24,531,000 was denominated in Hong Kong dollar, RMB11,510,000 was denominated in Euro, RMB4,830,000 was denominated in Vietnamese dong and the remaining was denominated in other currencies (2014: RMB1,428,074,000, of which RMB986,285,000 was denominated in RMB, RMB407,494,000 was denominated in US dollar, RMB32,580,000 was denominated in Hong Kong dollar and the remaining was denominated in other currencies). The balance of bank borrowings was RMB656,851,000 (2014: 46,737,000), all being short-term bank borrowings. The outstanding balance of the debt component of convertible bonds was RMB3,117,009,000 (as at 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 31 December 2015 amounted to RMB1,958,182,000, which increased by RMB474,844,000 as compared to RMB1,483,338,000 as at 31 December 2014, mainly attributable to the increase in capital expenditure of overseas production bases during the year.

Equity attributable to equity holders of the Company amounted to RMB13,074,120,000 (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 28.9% (2014: 24.7%).

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 on 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 and the current conversion price after the adjustment on 13 June 2015 is HK$38.00 per share (subject to further adjustment in accordance with its terms and conditions). 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. As at 31 December 2015, approximately HK$3,454,539,000 of the proceeds from such issue had been utilized.

As part of the Company's overall treasury management policy, the Company purchased financial products (including entrusted loans, available-for-sale investments, pledged deposits and structured deposits) from licensed banks in the PRC to maximize return on the Group's idle cash through a legal and low-risk channel. The applicable size test results in respect of the purchases of these financial products are all below 5% and thus, these purchases are not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules (as defined below). Details of these financial products can be found in notes 12, 13, 14 and 15 of the Financial Statements contained in this announcement.

Pledge of the Group's assets

As at 31 December 2015, bank balances of 208,046,335 US dollars, 5,800,000,000 Japanese yen, 14,000,000 Euro and 22,865,854 Swiss francs (totaling approximately RMB1,830,908,000) (2014: US$144,854,052, equivalent to approximately RMB893,483,000) were pledged until certain foreign currency swaps held by the Group are settled. The pledged deposits carry interest at fixed rates ranging from 1.2% to 2.9% per annum.

Finance costs and tax

For the year ended 31 December 2015, finance costs increased from RMB46,442,000 for the year ended 31 December 2014 to RMB98,733,000, mainly due to the increase of interest expenditure of the convertible bonds. During the year, the Group's US dollar annual borrowing rate ranged from 2.6% to 3.0% (2014: the US dollar annual borrowing rate ranged from 2.6% to 2.8%).

For the year ended 31 December 2015, income tax expense of the Group amounted to RMB532,059,000, representing an increase of RMB55,342,000 when compared to income tax expense of RMB476,717,000 for the year ended 31 December 2014. The increase in income tax expense was mainly due to the increase in taxable profit of the Group.

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES AND ALTERNATIVE FUNDING 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 2015, the amount had been fully utilized;

- 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 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 31 December 2015, the amount had been fully utilized; and

- an amount of approximately RMB128,649,000 shall be used to repay part of the Group's short-term bank loans. As of 31 December 2015, the amount had been fully utilized.

As of 31 December 2015, all proceeds had been utilized. For 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 (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 31 December 2015, the 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 and the current conversion price after the adjustment on 13 June 2015 is HK$38.00 per share (subject to further adjustment in accordance with its terms and conditions). 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 of 31 December 2015, approximately HK$3,454,539,000 of the proceeds from such issue had been utilized for expansion of 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 31 December 2015, no convertible bonds have been converted into shares of the Company pursuant to the relevant terms and conditions.

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 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 31 December 2015, forward sale of foreign exchange agreements were entered into with relevant banks in relation to the bank balances of 208,046,335 US dollars, 5,800,000,000 Japanese yen, 14,000,000 Euro and 22,865,854 Swiss francs (totaling approximately RMB1,830,908,000) (31 December 2014: US$144,854,052, equivalent to approximately RMB893,483,500), by which such bank balances were pledged and deposited with the relevant banks, and the total amount to be settled in RMB upon maturity will be RMB1,882,000,000. The pledged deposits carry interest at fixed rates ranging from 1.2% to 2.9% per annum (31 December 2014: 1.2% to 2.5%), and will mature within one year from the dates on which the agreements were entered into.

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 appropriate number of loans denominated in US dollars and loans denominated in Hong Kong dollars with linked exchange rate with US dollars. As at 31 December 2015, in the total amount of bank loans, there were loans of approximately RMB70,391,000 denominated in US dollars (approximately US$10,840,000 in original currency), and loans of RMB586,460,000 denominated in Hong Kong dollars (HK$700,000,000 in original currency) (31 December 2014: RMB46,737,000 (approximately US$7,638,000 in original currency)). The global layout of the Group's production bases will reduce the impact of the exchange rate fluctuations of RMB against US dollars on the operations.

Employment, training and development

As at 31 December 2015, the Group employed approximately 67,390 employees in total. Total staff costs, including administrative and management staff, accounted for approximately 27.9% (2014: 25.7%) 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 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 new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

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 RMB2,041,684,000, of which approximately 34% was used for the acquisition of production equipment, approximately 61% for the construction and acquisition of new factory buildings and land lease prepayments, and the remaining balance was used for the purchase of other fixed assets.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liability.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group has no material event after the reporting period ended 31 December 2015.

FUTURE PROSPECT AND STRATEGIES

China is the largest garment manufacturer and exporting country in the world, and its textile industry enjoys better operating background, recording a positive growth in export in most years, saved for the decrease in export in 2009 and 2015, the former was mainly attributable to the impact of global financial crisis, while in 2015 the decrease in export is mainly due to the upward cost pressure, resulting in a shift of purchasing pattern of importers. The key to development of China's garment industry is to enhance our competitive edges under the upward cost pressure. One of the solutions is to diversify our international production base layout, and the Group shall expand its fabric and garment production base in Vietnam as planned, in order to provide a more comprehensive service to our globalized customers.

The Group will continue the transformation of its domestic production base towards the environment-friendly, resources-effective green corporation. Our Vietnam fabric production base is equipped with the advanced environmental friendly equipment, while the production line at our domestic fabric production base will phase out its older equipment and introduce the world's latest energy-saving production equipment, so as to lower the consumption of resources such as water and electricity per unit, while enhancing the automation of production and logistic processes to achieve higher efficiency with less manpower, with the view to solve the bottle-neck problem of resources supply during the development of the corporation.

The Group shall engage overseas engineers as well as provide training to domestic talents within the industry and internal R&D staffers, and increase the investments in research and development, in order to enhance the Group's ability to develop innovative products. The Group will also communicate with our major customers to exchange information on the market demand, in order to better grasp the direction for development of our products; while at the same time establish information-sharing mechanism in regards to new materials with our major raw material suppliers, so as to quickly process such new materials into the latest products to meet the market demands. The Group endeavor to continuously develop new products to encourage market demand, in order to achieve better match of product supply and market demand. Specifically, the Group strives at maintaining its competitive advantages through innovative functions and environment-friendly features of our new products to differentiate from fellow manufacturers.

The Group shall increase the investment in corporation informatization, in order to optimize the standard of informatization within the production management system of the Group, to enhance the flexibility of software, to refine the corporate management, as well as to shorten the production cycle. Through better correlation between the management informatization system and the intelligent equipment, the Group can improve the level of automation of the production process and the accuracy of the data of production technologies. Leveraging on the improvement of informatization standards and monitoring of strategies implementation, the Group can better satisfy those customers with a smaller quantity and extensive varieties with a short delivery timeframe, and to help our customers to avoid substantial accumulation of inventories or shortage of supply within their retail channels, so as to achieve optimized market sales.

The development strategies of the Group put focus on the sustainability as its first priority, rooted in quality management and driven by technology innovation, and leverages on the automation and informatization progress, in order to improve the production and management efficiency within the corporation. We thrive on creating and appealing demands for our products, and will strive to provide products and services of the best quality to our customers, and to provide glorious career prospects to our staff, as well as a fruitful return for our investors.

FINAL DIVIDEND (INCLUDING SPECIAL DIVIDEND)

The Board recommends the payment of a final dividend of HK$1.07(including a special dividend of HK$0.35) (equivalent to approximately RMB0.90) per share for the year ended 31 December 2015 to shareholders whose names appear on the register of members of the Company on 10 June 2016. 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 26 May 2016 and subject to such approval having been obtained, the payment of such dividend is expected to be in late June 2016 (which will be confirmed in a separate announcement after the relevant resolution is passed at the AGM).

BOOK CLOSURE

The Register of Members of the Company will be closed from 20 May 2016 to 26 May 2016, 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 19 May 2016.

The Register of Members of the Company will be closed from 7 June 2015 to 10 June 2015, 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 6 June 2016.

CORPORATE GOVERNANCE

The Group's stated objective is to enhance its corporate value, focusing on the solid growth in net profit and consistently stable cash flow, to ensure the Group's long-term, sustainable development and to achieve sound returns for shareholders. The Group is committed to raising its corporate governance standards and increasing the transparency of its operations. Such objective will be achieved by constantly improving the quality of corporate governance of the Company through the provision of continuous training for Directors as well as staff and the appointment of external professional advisers.

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 2015.

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 are regularly revised based on amendments to the Listing Rules and the CG Code. Such terms of reference and the list of Directors and their roles and functions are 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 arranged for continuous professional development on the update of the Listing Rules and the related legal and regulatory requirements for the Directors.

Independent Non-executive Directors

For the year ended 31 December 2015, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Corporate governance functions

The Company 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 to be convened on 26 May 2016 to answer shareholders' questions relating to the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

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

SECURITIES TRANSACTIONS OF DIRECTORS

The Company 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 (the "**Securities Trading Code**"). A copy of the Securities Trading Code is provided to all Directors upon 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 strict compliance with the relevant provisions of the Securities Trading Code throughout the year.

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 dealing restrictions under the Securities Trading Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, for the year ended 31 December 2015, the Company had maintained a public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the external auditors of the Company this annual results and 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 2015.

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 2015 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

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 2015.

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 and in any event before 30 April 2016.

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 26 May 2016 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 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.

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

Hong Kong, 21 March 2016