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 2016

HIGHLIGHTS

- Sales for the six months ended 30 June 2016 amounted to approximately RMB6,951,773,000, representing an increase of 24.6% when compared with the corresponding period of 2015.
- Percentage of sports wear products sales to total sales was approximately 64.6% for the six months ended 30 June 2016. Revenue from sale of sports wear products increased by approximately 24.5% when compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 25.2% for the six months ended 30 June 2016. Revenue from sale of casual wear products increased by approximately 27.2% when compared with the corresponding period of the previous year.
- Percentage of lingerie products sales to total sales was approximately 9.4% for the six months ended 30 June 2016. Revenue from sale of lingerie products increased by approximately 22.5% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2016 amounted to approximately RMB2,215,781,000, an increase of 35.4% when compared with the corresponding period of 2015. Gross profit margin increased by 2.5 percentage points to 31.9%.
- Net profit attributable to owners of the Company for the six months ended 30 June 2016 amounted to approximately RMB1,449,896,000, an increase of approximately 29.4% when compared with the corresponding period of 2015.
- Basic earnings per share were RMB1.04, representing an increase of approximately 30.0% from RMB0.80 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 2016, together with the comparative amounts for the corresponding period of 2015. 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 2016

		Unaudited For the six months ended 30 June	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**6,951,773**	5,577,120
Cost of sales	*5*	**(4,735,992)**	(3,940,068)
Gross profit		**2,215,781**	1,637,052
Other income and gains	*6*	**330,911**	337,455
Selling and distribution expenses	*5*	**(166,456)**	(115,420)
Administrative expenses	*5*	**(519,965)**	(452,231)
Other expenses	*7*	**(53,746)**	(7,482)
Finance costs	*8*	**(53,724)**	(43,859)
Share of profits/(losses) of an associate		**993**	(1,615)
PROFIT BEFORE TAX		**1,753,794**	1,353,900
Income tax expense	*9*	**(303,763)**	(233,637)
Profit for the period		**1,450,031**	1,120,263
Attributable to:			
Owners of the Company		**1,449,896**	1,120,363
Non-controlling interests		**135**	(100)
		1,450,031	1,120,263
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic			
– For profit for the period		**RMB1.04**	RMB0.80
Diluted			
– For profit for the period		**RMB0.99**	RMB0.77

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Unaudited For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Profit for the period	**1,450,031**	1,120,263
Other comprehensive income		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**–**	(17,589)
Reclassification adjustments for gains recognised in consolidated statement of profit or loss	**–**	8,226
	–	(9,363)
Exchange differences on translation of foreign operations	**85,845**	(23,098)
Other comprehensive income for the period, net of tax	**85,845**	(32,461)
Total comprehensive income for the period	**1,535,876**	1,087,802
Attributable to:		
Owners of the Company	**1,535,741**	1,087,902
Non-controlling interests	**135**	(100)
	1,535,876	1,087,802

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	**Unaudited 30 June 2016** *RMB'000*	Audited 31 December 2015 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**6,089,671**	5,549,750
Prepaid land lease payments	*12*	**926,897**	931,255
Intangible assets	*12*	**108,393**	109,450
Entrusted loans		**150,000**	550,000
Long-term time deposits at banks		**300,000**	300,000
Investment in an associate		**5,670**	4,677
Deferred tax assets		**4,912**	4,981
Total non-current assets		**7,585,543**	7,450,113
CURRENT ASSETS			
Inventories	*13*	**3,296,201**	3,232,847
Trade and bills receivables	*14*	**2,075,030**	2,001,783
Prepayments, deposits and other receivables	*15*	**872,592**	676,284
Amounts due from related parties		**789**	559
Entrusted loans		**20,000**	120,000
Available-for-sale investments	*16*	**2,380,000**	800,000
Structured deposits		**–**	110,000
Pledged deposits		**450,003**	1,830,908
Bank deposits with an initial term of over three months		**832,443**	323,442
Cash and cash equivalents		**1,984,739**	1,815,678
Total current assets		**11,911,797**	10,911,501
CURRENT LIABILITIES			
Trade and bills payables	*17*	**731,434**	678,535
Advances from customers		**7,166**	5,130
Other payables and accruals	*18*	**617,621**	642,939
Interest-bearing bank borrowings		**1,421,428**	656,851
Amounts due to related parties	*22b*	**5,920**	2,166
Tax payable		**125,935**	169,148
Total current liabilities		**2,909,504**	2,154,769
NET CURRENT ASSETS		**9,002,293**	8,756,732

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,587,836**	16,206,845
NON-CURRENT LIABILITIES			
Convertible bonds	*19*	**3,218,842**	3,117,009
Deferred tax liabilities		**1,833**	–
Total non-current liabilities		**3,220,675**	3,117,009
Net assets		**13,367,161**	13,089,836
EQUITY			
Equity attributable to owners of the Company			
Share capital		**142,105**	142,105
Reserves		**13,213,628**	11,677,887
Proposed final dividend		**–**	1,254,128
		13,355,733	13,074,120
Non-controlling interests		**11,428**	15,716
Total equity		**13,367,161**	13,089,836

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL INFORMATION

Shenzhou International Group Holdings Limited ("The Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 22 August 2016.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2016 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 condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those in the Group's annual financial statements for the year ended 31 December 2015, except for the adoption of the new standards and interpretations effective on 1 January 2016, noted below:

(a) Revised standards adopted by the Group

The Group has adopted the following revised standards for the first time for the financial year beginning 1 January 2016.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

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

(b) Issued but not effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but is available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

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	
	2016	2015
	RMB'000	*RMB'000*
Mainland China	**1,651,105**	1,342,663
European Union	**1,519,001**	1,013,345
Japan	**1,484,553**	1,279,845
United States of America	**707,460**	682,275
Other regions	**1,589,654**	1,258,992
	6,951,773	5,577,120

(b) Non-current assets

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Mainland China	**4,512,937**	4,334,664
Vietnam	**2,481,356**	2,149,758
Cambodia	**124,326**	99,474
Other regions	**6,342**	6,559
	7,124,961	6,590,455

The non-current asset information of continuing operations above is based on the locations of the assets and excludes entrusted loans, long-term time deposits at banks, 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	
	2016 *RMB'000*	2015 *RMB'000*
Customer A	**1,682,102**	1,360,768
Customer B	**1,598,332**	1,277,199
Customer C	**1,479,731**	1,243,653
	4,760,165	3,881,620

5. EXPENSES BY NATURE

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

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**1,801,439**	1,579,430
Retirement benefit contributions	**110,994**	73,364
Other benefits	**71,754**	48,660
	1,984,187	1,701,454
Depreciation, amortisation and impairment expenses	**315,726**	252,492
Changes in inventories of finished goods and work in progress	**(196,772)**	(204,246)
Raw materials and consumables utilized	**2,647,141**	2,170,649
Utilities expenses	**294,662**	271,391
Transportation expenses	**63,005**	43,397
Operating lease expenses for properties	**47,416**	39,075
Taxation	**44,559**	37,132
Outsourcing	**34,170**	41,250
Repair expenses	**27,672**	23,822
Office expenses	**22,359**	22,190
Commission	**15,440**	5,385
Charges for disposing pollutants	**14,676**	14,433
Entertainment expenses	**9,254**	9,566
Traveling expenses	**9,163**	6,956
Inspection fees	**5,719**	5,279
Donation	**1,132**	1,259
Other expenses	**82,904**	66,235
Total cost of sales, selling and distribution costs and administrative expenses	**5,422,413**	4,507,719

6. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Other income		
Government incentives	**238,541**	211,811
Bank interest income	**63,523**	57,817
Interest income from entrusted loans	**15,685**	24,069
Rental income	**13,162**	8,189
	330,911	301,886
Gains		
Exchange gains, net	**–**	35,569
	330,911	337,455

7. OTHER EXPENSES

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**3,178**	2,176
Rental cost	**5,301**	5,306
Exchange losses, net	**45,267**	–
	53,746	7,482

8. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**6,901**	1,265
Interest on convertible bonds	**46,823**	42,594
	53,724	43,859

9. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2016 and 2015 are:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**3,271**	9,691
Current Mainland China corporate income tax ("CIT")	**298,590**	224,685
Deferred taxation	**1,902**	(739)
	303,763	233,637

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 2015: 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 2015: 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 2015: 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%.

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 RMB1,449,896,000 (for the six months ended 30 June 2015: RMB1,120,363,000) and on the weighted average number of 1,399,000,000 (for the six months ended 30 June 2015: 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 22 August 2016, the directors did not recommend the payment of an interim dividend for the six months ended 30 June 2016.

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 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
For the six months ended 30 June 2016				
Opening net book amount at 1 January 2016	**5,549,750**	**931,255**	**80,088**	**29,362**
Additions	**805,748**	**–**	**–**	**4,459**
Disposals	**(5,912)**	**–**	**–**	**–**
Depreciation/amortisation	**(298,533)**	**(11,475)**	**(3,225)**	**(2,493)**
Exchange differences	**38,618**	**7,117**	**–**	**202**
Closing net book amount at 30 June 2016	**6,089,671**	**926,897**	**76,863**	**31,530**

13. INVENTORIES

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Raw materials	**660,012**	793,430
Work in progress	**1,460,008**	1,285,362
Finished goods	**1,176,181**	1,154,055
	3,296,201	3,232,847

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 2016 *RMB'000*	31 December 2015 *RMB'000*
Within three months	**1,877,902**	1,902,454
Over three months	**197,128**	99,329
	2,075,030	2,001,783

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Prepayments and deposits		
– Purchase of raw materials	**100,940**	150,929
– Purchase of items of property, plant and equipment	**280,026**	43,490
– Prepaid rental and deposits	**89,997**	115,648
– Others	**31,617**	15,319
VAT refund receivable and recoverable	**210,025**	195,906
Interest receivable	**49,730**	99,010
Other receivables	**110,257**	55,982
	872,592	676,284

16. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Financial products issued by financial institutions	**2,380,000**	800,000

As at 30 June 2016, certain financial products issued by several financial institutions with a carrying amount of RMB2,380,000,000 (31 December 2015: RMB800,000,000) were stated at cost less impairment. The relevant size tests pursuant to Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for such financial products, when grouped by each financial institution, are all less than 5% and the investment in such financial products do not constitute notifiable transactions of the Company under the Listing Rules. 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 4.8% (31 December 2015: 5.0%). 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 2016 *RMB'000*	31 December 2015 *RMB'000*
Within six months	**693,720**	642,818
Six months to one year	**22,670**	21,636
One year to two years	**6,676**	4,341
Over two years	**8,368**	9,740
	731,434	678,535

18. OTHER PAYABLES AND ACCRUALS

	30 June 2016 *RMB'000*	31 December 2015 *RMB'000*
Accrued expenses	**216,409**	296,989
Payable for Water Use Right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**25,800**	74,896
Guarantee deposits related to construction projects	**10,040**	5,740
Advanced from customers	**66,875**	76,054
Other taxes payable	**144,235**	52,660
Dividends payable to non-controlling interests	**587**	587
Others	**77,675**	60,013
	617,621	642,939

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 2016	31 December 2015
	RMB'000	*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	**216,835**	160,278
Accumulated finance costs	**104,191**	72,169
Interest payable	**51,366**	38,112
Liability component	**3,218,842**	3,117,009

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. On 11 June 2016, the conversion price has been adjusted to HK$37.50 per ordinary share of the Company upon the declaration of the final 2015 dividend.

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 2016.

As at 30 June 2016, no bond holders have converted their bonds into ordinary shares of the Company.

20. COMMITMENTS

Capital commitments

	30 June 2016	31 December 2015
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**513,006**	329,813
	513,006	329,813

21. CONTINGENT LIABILITIES

The Group did not have significant contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

22. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

(1) One-off transaction

Pursuant to Sale and Purchase Agreement dated 26 May 2016, the Group acquired the property situated at Wangjiang County, Anhui Province, People's Republic of China from Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties")* at an aggregate cash consideration of RMB134,047,842.

(2) ***Continuing***

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 2016 and 2015:

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Lease of property, plant and equipment from Shenzhou Properties	**4,405**	4,405
Provision of processing services from Ningbo Shenzhou Shitong Knitwear Co. Ltd. ("Shenzhou Shitong")*	**8,377**	6,922
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**24,315**	21,142

* 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 2016 *RMB'000*	31 December 2015 *RMB'000*
Amounts due to related parties		
– Trade related		
Huaxi Packaging Company	**3,158**	2,166
Shenzhou Shitong	**2,762**	–
	5,920	2,166

(c) Key management compensation

	For the six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**11,988**	11,983
Post-employment benefits	**63**	61
	12,051	12,044

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements and the accompanying notes of the Group for the six months ended 30 June 2016 set out in this announcement.

BUSINESS REVIEW

During the period, the operating environment of the textile and garment industry in China remained unimproved, especially we experienced weak domestic and overseas market demand. According to the statistics of the Chinese Customs, the total export value of Chinese textile and garment products (including textile yarns, fabrics and finished products as well as garments and garment accessories, referred the same as below) from January to June 2016 was US$123.61 billion, representing a year-on-year decrease of approximately 3.7%. Out of the total export value, the export value of textile products amounted to US$52.03 billion, representing a year-on-year drop of approximately 1.6%. Garment export value amounted to US$71.58 billion, representing a drop of approximately 5.1% over the corresponding period, among which exports to the European Union ("EU") amounted to US$16.56 billion, representing a decrease of approximately 7.2% over the corresponding period last year; exports to the US amounted to US$14.59 billion, representing a decrease of approximately 4.3% over the corresponding period last year; and exports to Japan amounted to US$7.25 billion, representing a decrease of approximately 6.0% over the corresponding period last year. Of the garment products exported, the export value of knitted garments amounted to US$30.06 billion from January to June 2016, representing a decrease of 3.9% as compared with the same period last year. For the domestic garments consumer market, according to the National Bureau of Statistics of China, among the total retail sales of "over-the-threshold" enterprises from January to June 2016, RMB681.6 billion was generated from the retail sales of garments, footwear, hats and knitwear, representing a year-on-year increase of approximately 7.0%, and the rate of increase dropped by about 4 percentage points as compared with the same period last year.

Affected by the weak global demand, Vietnam's textile and garment export grew at a slower rate. According to statistics of the Vietnam Customs, from January to June 2016, Vietnam's textile and garment export amounted to about US$10.85 billion, representing an increase of about 6.4% as compared to the same period of last year. Of which: exports to the US amounted to approximately US$5.42 billion, representing an increase of about 5.7% as compared to the same period of last year, and exports to Japan amounted to about US$1.28 billion, representing an increase of about 4.8% as compared to the same period of last year. From January to June 2016, Vietnam imported fabrics of approximately US$5.06 billion in total from abroad, representing an increase of about 1.7% as compared to the same period of last year, of which imports of fabric from China accounted for about US$2.63 billion, an increase of about 4.0% as compared to the same period of last year; while the export value of yarn in Vietnam amounted to US$1.32 billion, representing an increase of 5.2% as compared to the same period of last year, of which US$720 million was exported to China, representing an increase of 7.5% as compared with US$670 million for the same period of last year. Currently, benefiting from its capacity as a member of "Trans-Pacific Partnership Agreement" (TPP) and low cost, Vietnam is building large textile and garment industry parks to attract more foreign enterprises to invest in Vietnam. Since Vietnam's garment products exported to Japan already enjoy zero tariffs, the biggest market opportunity for Vietnam's garment industry created under TPP will arise in the US. However, it requires a relatively long time for TPP to have a positive effect on Vietnam's garment industry, due to the facts that Vietnam's garment industry has not been provided with sufficient production amenities, and highly relies on importing fabrics from abroad and is subject to the "starting from yarn" principle. Meanwhile, although the TPP members have held a signing ceremony in New Zealand in February 2016, they are still required to go through their internal examination and approval procedures. In addition, not all garment products can enjoy zero tariffs after TPP becomes effective, most garment products can enjoy 35% or 50% tax concession for the several years immediately after TPP becomes effective, and full tax exemption will only apply after five to twelve years from the date TPP becomes effective.

During the period, purchases of garment products from China made by major markets such as the EU, US and Japan continued to decrease, consumption growth in mainland China also slowed down remarkably, labor costs maintained increasing trend, and cotton price increased as compared with the beginning of this year. During the period, enterprises generally bore dual pressures of scant demand and cost increase, while the depreciation of RMB against the US dollar, Euro and Japanese yen enhanced the price competitiveness of export companies to some degree.

For January to June 2016, the Group achieved satisfactory growth in revenue and operating results with 24.6% and 35.4% increases in revenue and gross profit respectively, as compared with the same period in 2015, while profit after tax rose by 29.4%, realizing earnings per share of RMB1.04. During the period, the Group continued to expand the production capacity of its overseas production bases, and further improved the Group's production efficiency though reinforcing its lean production management and gradually applying automated equipment, thereby promoting sustained business growth of the Group.

During the period, the production capacity of the Group's fabric factory in Vietnam improved rapidly, and its production management achieved a satisfactory performance, which was helpful to shorten the delivery period of garment factories in Cambodia and Vietnam, and also guaranteed the upstream production capacity for the Group's rapid business growth during the period. Currently, the fabric project in Vietnam is in the process of expansion, and its recruitment of management and technical personnel run smoothly. Since the completion of the construction of the new garment factory in Vietnam at the beginning of the year, the number of staff has increased continuously, and its production efficiency also improved stably, which has provided garment production service for the Group's core customers. In addition, the Group has also begun the construction of its special fabric production project.

In order to cope with the pressure of rising labor costs, in addition to offering more employee benefits, the Group also strived to improve its employees' production efficiency by standardizing equipment, workflow and operation, which laid a good foundation to better improve the level of production automation in the future. The Group continued to improve employees' working and living environment as evidenced by purchasing houses of about 50,000 square meters in terms of gross floor area in Anqing production base in Anhui, which offered more comfortable living conditions for its local employees; building a new modernized central kitchen in Ningbo production base, and installing central air conditioning system in the production workshop of its garment production base in Vietnam. During the period, the stability of workforce of the Group maintained at a more satisfactory level, and its production efficiency was further improved leveraging on increased automation and the special mold we developed, which guaranteed the Group's rapid business growth.

During the period, the Group further reduced orders from some of its small and medium-sized customers, and its sales grew in a more balanced manner as evidenced by the fact that the sales of each of its core customers, major products and main markets delivered growth. Despite achieving growth in sales of its retail business, as the Group's overall strengths lie in its garment production business, the Group will continue to apply its main resources into providing high-quality garment products to its core customers.

THE GROUP'S OPERATING RESULTS

Revenue

The Group's revenue for the six months ended 30 June 2016 amounted to RMB6,951,773,000, representing an increase of RMB1,374,653,000 or approximately 24.6% from RMB5,577,120,000 for the six months ended 30 June 2015. During the period, this satisfactory increase in revenue of the Group was mainly attributable to: 1) the Group's improved production capacity due to the scale expansion of its overseas production bases; and 2) its increased production efficiency due to the satisfactory stability of workforce and the improved production automation.

A comparison of the Group's revenue for the six months ended 30 June 2016 and the six months ended 30 June 2015 by product categories is as follows:

	For the six months ended 30 June					
	2016		2015		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sportswear	**4,488,837**	**64.6**	3,605,295	64.6	883,542	24.5
Causal wear	**1,750,491**	**25.2**	1,375,784	24.7	374,707	27.2
Lingerie	**655,016**	**9.4**	534,677	9.6	120,339	22.5
Other knitwear	**57,429**	**0.8**	61,364	1.1	(3,935)	(6.4)
Total revenue	**6,951,773**	**100.0**	5,577,120	100.0	1,374,653	24.6

For the six months ended 30 June 2016, revenue from sale of sportswear amounted to RMB4,488,837,000, representing an increase of RMB883,542,000 or approximately 24.5% from RMB3,605,295,000 for the six months ended 30 June 2015. The growth in revenue from sale of sportswear was mainly attributable to the increase in demand for garment products of international brands in Europe and mainland China, as well as the increase in demand for sports fabric products.

Revenue from sale of casual wear products increased by RMB374,707,000 or approximately 27.2% from RMB1,375,784,000 for the six months ended 30 June 2015 to RMB1,750,491,000 for the six months ended 30 June 2016, 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 increased by RMB120,339,000 or approximately 22.5% from RMB534,677,000 for the six months ended 30 June 2015 to RMB655,016,000 for the six months ended 30 June 2016, which was mainly attributable to the recovery of increase in demand for purchase of lingerie in Japan.

A comparison of the Group's revenue for the six months ended 30 June 2016 and the six months ended 30 June 2015 by market regions of products delivery is as follows:

	For the six months ended 30 June					
	2016		2015		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
International sales						
Europe	**1,519,001**	**21.8**	1,013,345	18.2	505,656	49.9
Japan	**1,484,553**	**21.3**	1,279,845	22.9	204,708	16.0
US	**707,460**	**10.2**	682,275	12.2	25,185	3.7
Others	**1,589,654**	**22.9**	1,258,992	22.6	330,662	26.3
Sub-total for international sales	**5,300,668**	**76.2**	4,234,457	75.9	1,066,211	25.2
Domestic sales	**1,651,105**	**23.8**	1,342,663	24.1	308,442	23.0
Total revenue	**6,951,773**	**100.0**	5,577,120	100.0	1,374,653	24.6

The Group's revenue from the European market for the six months ended 30 June 2016 amounted to RMB1,519,001,000, representing an increase of RMB505,656,000 or approximately 49.9% from RMB1,013,345,000 for the six months ended 30 June 2015. During the period, the European market grew rapidly, and surpassed the Japanese market to be the biggest market of the Group for the first time, which was mainly attributable to the increase in demand for purchase of sportswear of the Group in Europe.

For the six months ended 30 June 2016, the Group's revenue from the Japanese market was RMB1,484,553,000, representing an increase of RMB204,708,000 or approximately 16.0% from RMB1,279,845,000 for the six months ended 30 June 2015, which was mainly attributable to the recovery of increase in demand for purchase from the Group in Japan and the effective improvement in the Group's production capacity in the period.

The Group's revenue from the US market for the six months ended 30 June 2016 amounted to RMB707,460,000, representing an increase of RMB25,185,000 or approximately 3.7% from RMB682,275,000 for the six months ended 30 June 2015. The increase in the revenue of the Group in the US market reduced mainly due to the slower growth in consumption demand in the US.

The Group maintained its satisfactory revenue growth in other markets including Korea, Taiwan and Hong Kong and so on. Revenue from other markets for the six months ended 30 June 2016 increased by approximately 26.3% as compared with the six months ended 30 June 2015.

For the six months ended 30 June 2016, the revenue of the Group from domestic market increased 23.0% as compared with last year, with sales of apparels in the domestic market amounted to approximately RMB1,607,933,000, representing an increase of RMB319,843,000 or approximately 24.8% from RMB1,288,090,000 for the same period last year. Sales growth in the domestic market was mainly due to the increase in sales of international brands in the Chinese market.

Cost of sales and gross profit

The Group's cost of sales for the six months ended 30 June 2016 amounted to approximately RMB4,735,992,000 (for the six months ended 30 June 2015: RMB3,940,068,000). The Group's gross profit margin for sales for the six months ended 30 June 2016 was approximately 31.9%, representing an increase of approximately 2.5 percentage points from 29.4% for the six months ended 30 June 2015. The major factors affecting the gross profit margin for the period were: 1) the effective improvement in production efficiency; 2) the depreciation of exchange rate of RMB against US dollar; and 3) the continuous optimization of product structure.

Equity attributable to equity holders of the Company

As at 30 June 2016, the Group's equity attributable to equity holders of the Company amounted to RMB13,355,733,000 (31 December 2015: RMB13,074,120,000), of which non-current assets, net current assets, non-current liabilities and non-controlling interests amounted to RMB7,585,543,000 (31 December 2015: RMB7,450,113,000), RMB9,002,293,000 (31 December 2015: RMB8,756,732,000), RMB3,220,675,000 (31 December 2015: RMB3,117,009,000) and RMB11,428,000 (31 December 2015: RMB15,716,000), respectively. The change in equity attributable to equity holders of the Company was mainly due to: 1) an increase in operating profit for the period; and 2) distribution of dividend for the year 2015 to equity holders of the Company reducing the reserves during the period.

Liquidity and financial resources

For the six months ended 30 June 2016, net cash generated from the Group's operating activities amounted to approximately RMB1,689,791,000 (for the six months ended 30 June 2015: approximately RMB784,832,000). Cash and cash equivalents of the Group as at 30 June 2016 amounted to RMB1,984,739,000, of which RMB1,256,336,000 was denominated in RMB, RMB673,678,000 was denominated in US dollar, RMB46,228,000 was denominated in Hong Kong dollar, RMB6,486,000 was denominated in Vietnamese dong, RMB1,238,000 was denominated in Euro and the remaining balance was denominated in other currencies (as at 31 December 2015: RMB1,815,678,000, of which RMB1,038,440,000 was denominated in RMB, RMB735,870,000 was 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 balance was denominated in other currencies). The balance of bank borrowings was RMB1,421,428,000 (as at 31 December 2015: RMB656,851,000), all being short-term bank borrowings. The outstanding balance of the debt component of convertible bonds was RMB3,218,842,000 (as at 31 December 2015: RMB3,117,009,000). 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 2016 amounted to RMB2,655,531,000, which increased by RMB697,349,000 as compared to RMB1,958,182,000 as at 31 December 2015, the increased bank borrowings were mainly used for the capital expenditure in Vietnam during the period and dividend distributed to equity holders for the year 2015.

Equity attributable to equity holders of the Company amounted to RMB13,355,733,000 (31 December 2015: RMB13,074,120,000). 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 equity holders of the Company) of 34.7% (31 December 2015: 28.9%).

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 $37.50 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.

As part of the Group's overall treasury management policy, the Group 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). The purchases of these financial products were approved by an investment and lending committee established by the Board to monitor the execution of the Company's treasury management policy. Details of these financial products can be found in the Financial Statements and note 16 thereto contained in this announcement.

Finance costs and tax

For the six months ended 30 June 2016, finance costs increased from RMB43,859,000 (out of which: the finance costs for convertible bonds amounted to approximately RMB42,594,000) for the six months ended 30 June 2015 to RMB53,724,000 (out of which: the finance costs for convertible bonds amounted to approximately RMB46,823,000), mainly due to the increase in interest expense of the convertible bonds as a result of the appreciation of Hong Kong dollar against RMB and the increase in the average balance of bank borrowings of the Group during the period.

For the six months ended 30 June 2016, income tax expense of the Group increased from RMB233,637,000 for the six months ended 30 June 2015 to RMB303,763,000, mainly due to the increase in taxable profit of the Group during the period.

Pledge of the Group's assets

As at 30 June 2016, a forward exchange agreement in relation to bank balances of approximately US$72,774,000 (approximately RMB450,003,000) (31 December 2015: including approximately US$208,046,000, JPY5,800,000,000, EUR14,000,000 and CHF22,866,000 (in aggregate equivalent to approximately RMB1,830,908,000)) has been entered into with relevant banks, 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 RMB461,830,000. The pledged deposits carry interest at fixed rates ranging from 1.8% to 1.9% per annum (31 December 2015: 1.2% to 2.9%) and will mature within one year from the agreement date.

The Group's bank borrowings of approximately US$33,908,000 (approximately RMB224,848,000) and the outstanding balance of the letter of credit of EUR16,051,000 and US$4,015,000 (in aggregate equivalent to approximately RMB145,003,000) in Vietnam, were secured with the relevant equipment of Gain Lucky (Vietnam) Limited. As at 30 June 2016, the original value of the secured equipment was US$81,329,000 (approximately RMB539,307,000) and net book value was US$70,823,000 (approximately RMB469,639,000).

Use of proceeds from the issuance of convertible bonds of the Company

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$37.50 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 2016, approximately HK$3,825,057,000 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 announcements of the Company dated 22 May 2014, 18 June 2014 and 19 June 2014.

As at 30 June 2016, 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 dollar against RMB.

As at 30 June 2016, a forward exchange agreement in relation to bank balances of approximately US$72,774,000 (approximately RMB450,003,000) (31 December 2015: including approximately US$208,046,000, JPY5,800,000,000, EUR14,000,000 and CHF22,866,000 (in aggregate equivalent to approximately RMB1,830,908,000)) has been entered into with relevant banks, 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 RMB461,830,000. The pledged deposits carry interest at fixed rates ranging from 1.8% to 1.9% per annum (31 December 2015: 1.2% to 2.9%) 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 denominated in US dollar and loans denominated in Hong Kong dollar, which is linked with the US dollar in exchange rate. As at 30 June 2016, in the total amount of bank borrowings, there were loans of approximately RMB224,848,000 denominated in US dollar (approximately US$33,908,000 in original currency), and loans of RMB1,196,580,000 denominated in Hong Kong dollar (HK$1,400,000,000 in original currency) (31 December 2015: loan of approximately RMB70,391,000 denominated in US dollar (approximately US$10,840,000 in original currency), and loans of RMB586,460,000 denominated in Hong Kong dollar (HK$700,000,000 in original currency)).

Employment, training and development

As at 30 June 2016, the Group employed approximately 76,360 employees in total. Total staff costs (including management and administrative staff) accounted for approximately 28.5% (for the six months ended 30 June 2015: 30.5%) 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 capital commitments

For the six months ended 30 June 2016, the Group's total investment in property, plant and equipment and prepaid land lease payments amounted to approximately RMB810,207,000, of which approximately 30% was used for the acquisition of production equipment, approximately 67% was used 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 2016, the Group had contracted capital commitments of approximately RMB513,006,000 in connection with the acquisition and construction of properties, plants and equipment, which will be mainly financed by the net proceeds from 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 2016, the accumulated investment amount of the Group in Vietnam amounted to approximately US$498,000,000.

Save for the aforesaid, Company did not have any other significant investments, acquisitions and disposals during the period.

Contingent liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

FUTURE PROSPECTS AND STRATEGIES

Along with the growing economic development level in China and the change in global trade pattern, traditional manufacturing is faced with the dual pressures of increasing costs and falling demand in China. In Asian countries such as Vietnam, Bangladesh, Myanmar and Cambodia, operators can benefit from more concessionary import tariffs imposed by main importing countries and low costs, as well as their own governmental encouragement policies, which brings big competitive pressures to China's garment industry. In order to keep growing, garment enterprises in China should actively promote business transformation and upgrade, and develop multi-national production network. The Group will adhere to its consistent development strategy, capitalize on its existing industrial base, and strive to promote its innovation, automation and internationalization, to enhance the Group's sustainable development capacity.

The Group will persist in engaging in its principal business of garment manufacturing, create an atmosphere of sustained innovation, and propagate artisanal spirit, to provide customers with high quality products. The Group regards product quality as the foundation to set up factories, and regards corporate innovation as its development momentum. The Group will endeavor to gain more market share through product innovation; improve cost with low consumption and high efficiency through process innovation with a view to facilitating an environmentally friendly production process; and motivate its employees to work with initiative through management innovation.

The Group will gradually improve the level of automation in its production process to achieve the goal to improve production efficiency and reduce workers' labor intensity with an aim to cope with the continued increase in labor costs. The Group will rely on the existing innovation center and cooperate with advanced equipment manufacturers to gradually improve the level of automation in the garment production process from cutting, sewing, trimming to packaging. The corporate innovation center focuses on the research of future production models, in which the automated production lines will be developed and improved constantly. Meanwhile, the Group will put more effort on informatization and standardization to improve the effect of production automation.

The Group will also actively consider deepening the one-step services provided to its customers. Particularly, the Group will optimize the logistics distribution, and strive to provide convenient, fast, safe and low-cost after-sales service, so as to enhance the Group's competitive edge in the market.

The Group will further expand the scale of overseas production bases. Particularly, the Group will promote the construction of phase III of the fabric project in Vietnam as per schedule, and build auxiliary production facilities of overseas garment factories, so as to perfect the connection between different working procedures under the vertically-integrated business model. While expanding scale, the Group will continue to improve the production management of overseas factories to result in optimal production efficiency and ensure that the product quality and delivery time can meet with the expected requirements.

The Group will proactively cater for the demand of consumption upgrade, enhance its market competitiveness through continuous innovation, and pursue business growth with an aim to achieve sustainable development. We will strive to provide better services to our customers and create fruitful returns for our investors.

EVENTS AFTER REPORTING PERIOD

There were no significant events since 30 June 2016 up to the date of this announcement which would have material effect to the Group.

DIVIDEND

At the Company's annual general meeting held on 26 May 2016, the shareholders of the Company approved the payment of a final dividend of HK$1.07 (equivalent to approximately RMB0.9) (including a special dividend of HK$0.35) per share for the year ended 31 December 2015 to the shareholders whose names appeared on the register of members of the Company at the close of business on 10 June 2016. The dividend was paid by the Company on 15 June 2016 in cash.

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2016 (for the six months ended 30 June 2015: 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 Listing Rules.

The Company has complied with all the code provisions of the CG Code throughout the six months ended 30 June 2016. 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 2015 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 of the Company were revised accordingly based on amendments to the Listing Rules and the CG Code during the six months ended 30 June 2016. The terms of reference for each Board 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 26 May 2016 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 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 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 2016.

Senior management may possess 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 2016, 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 for the six months ended 30 June 2016.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 30 June 2016.

THE BOARD

The Board is responsible for governing the Company and managing assets entrusted by the shareholders. The principal responsibilities of the Board include formulating the Group's business strategies and management objectives, supervising the management and evaluating 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 lead 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, risk management 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, and are updated and amended according to the relevant requirements from time to time.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, risk management, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2016.

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. Chen 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, 22 August 2016

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.