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 2016

HIGHLIGHTS

- Sales for the year ended 31 December 2016 amounted to approximately RMB15,099,076,000, representing an increase of 19.5% when compared with the year of 2015.
- For the year ended 31 December 2016, percentage of sports wear products sales to total sales was approximately 65.0%. Sports goods sales increased by 22.3% when compared with the year of 2015.
- For the year ended 31 December 2016, percentage of casual wear products sales to total sales was approximately 25.7%. Casual wear products sales increased by 11.8% when compared with the year of 2015.
- For the year ended 31 December 2016, percentage of lingerie wear products to total sales was approximately 8.6%. Lingerie sales increased by 26.5% when compared with the year of 2015.
- Gross profit margin stood at 32.5% in 2016, increasing from last year by 2 percentage points. Gross profit for the year ended 31 December 2016 amounted to RMB4,909,440,000, representing an increase of 27.6% when compared with the year of 2015.
- Net profit for the year ended 31 December 2016 amounted to RMB2,947,680,000, an increase of approximately 25.2% when compared with the year of 2015.
- Proposed to declare a final dividend of HK$1.20 (approximately RMB1.07) per ordinary share (including a special dividend of HK$0.35), representing an increase of 12.1% when compared with HK$1.07 (approximately RMB0.90) of 2015.

* *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 2016, together with the comparative amounts for the corresponding year of 2015 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	4	**15,099,076**	12,639,332
Cost of sales		**(10,189,636)**	(8,790,416)
Gross profit		**4,909,440**	3,848,916
Other income	4	**461,640**	459,402
Selling and distribution expenses		**(353,693)**	(255,494)
Administrative expenses		**(1,102,797)**	(962,064)
Other expenses		**(154,305)**	(104,169)
Finance costs	5	**(119,834)**	(98,733)
Share of profits and losses of an associate		**2,496**	(957)
PROFIT BEFORE TAX	6	**3,642,947**	2,886,901
Income tax expense	7	**(695,267)**	(532,059)
PROFIT FOR THE YEAR		**2,947,680**	2,354,842
Attributable to:			
Owners of the Company		**2,947,673**	2,354,664
Non-controlling interests		**7**	178
		2,947,680	2,354,842
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic			
– For profit for the year		**RMB2.11**	RMB1.68
Diluted			
– For profit for the year		**RMB2.02**	RMB1.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,947,680**	2,354,842
OTHER COMPREHENSIVE INCOME		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	(2,961)
Reclassification adjustments for gains recognised in the consolidated statement of profit or loss	**–**	(6,402)
	–	(9,363)
Exchange differences:		
Exchange differences on translation of foreign operations	**186,687**	36,921
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**186,687**	27,558
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,134,367**	2,382,400
ATTRIBUTABLE TO:		
Owners of the Company	**3,124,619**	2,382,222
Non-controlling interests	**9,748**	178
	3,134,367	2,382,400

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,013,037**	5,549,750
Prepaid land lease payments		**923,172**	931,255
Intangible assets		**105,228**	109,450
Entrusted loans	*12*	**–**	550,000
Pledged deposits	*14*	**500,000**	–
Long-term time deposits at banks		**350,000**	300,000
Long-term prepayments		**78,328**	–
An investment in an associate		**7,173**	4,677
Deferred tax assets		**3,629**	4,981
Total non-current assets		**8,980,567**	7,450,113
CURRENT ASSETS			
Inventories		**3,699,090**	3,232,847
Trade and bills receivables	*10*	**2,652,707**	2,001,783
Prepayments, deposits and other receivables		**674,236**	676,284
Amounts due from related parties		**826**	559
Entrusted loans	*12*	**150,000**	120,000
Available-for-sale investments	*13*	**3,120,000**	800,000
Structured deposits	*15*	**–**	110,000
Pledged deposits	*14*	**–**	1,830,908
Bank deposits with an initial term of over three months		**433,452**	323,442
Cash and cash equivalents		**2,105,184**	1,815,678
Total current assets		**12,835,495**	10,911,501
CURRENT LIABILITIES			
Trade and bills payables	*11*	**758,217**	678,535
Advances from customers		**16,650**	5,130
Other payables and accruals		**787,074**	642,939
Interest-bearing bank borrowings		**1,241,433**	656,851
Amount due to a related party		**–**	2,166
Tax payable		**291,108**	169,148
Total current liabilities		**3,094,482**	2,154,769

	2016	2015
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**9,741,013**	8,756,732
TOTAL ASSETS LESS CURRENT LIABILITIES	**18,721,580**	16,206,845
NON-CURRENT LIABILITIES		
Convertible bonds	**3,410,145**	3,117,009
Deferred tax liabilities	**1,833**	–
Total non-current liabilities	**3,411,978**	3,117,009
NET ASSETS	**15,309,602**	13,089,836
EQUITY		
Equity attributable to owners of the Company		
Share capital	**142,105**	142,105
Reserves	**14,950,839**	12,932,015
	15,092,944	13,074,120
Non-controlling interests	**216,658**	15,716
Total equity	**15,309,602**	13,089,836

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. 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 new and revised HKFRSs for the first time for the current year's financial statements.

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*
HKFRS 14	*Regulatory Deferral Accounts*
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*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 41, and amendments to HKAS 27 (2011), which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations:* Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**3,689,875**	2,995,543
European Union	**3,355,516**	2,319,860
Japan	**3,003,735**	2,859,692
United States of America	**1,548,387**	1,588,689
Other regions	**3,501,563**	2,875,548
	15,099,076	12,639,332

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

(b) Non-current assets

	2016	2015
	RMB'000	*RMB'000*
Mainland China	**4,816,266**	4,334,664
Vietnam	**3,161,473**	2,149,758
Cambodia	**135,094**	99,474
Other regions	**6,932**	6,559
	8,119,765	6,590,455

The non-current asset information above is based on the locations of the assets and excludes entrusted loans, long-term time deposits at banks, pledged deposits, an 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:

	2016	2015
	RMB'000	*RMB'000*
Customer A	**3,868,526**	3,390,452
Customer B	**3,421,963**	2,738,298
Customer C	**3,368,179**	3,137,291
Customer D	**1,319,019**	1,092,108

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue and other income is as follows:

	2016	2015
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**15,099,076**	12,639,332
Other income		
Government grants	**261,275**	216,410
Bank interest income	**149,171**	187,189
Interest income from entrusted loans	**28,485**	35,246
Rental income	**22,709**	20,557
	461,640	459,402

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	RMB'000	*RMB'000*
Interest on convertible bonds	**96,470**	88,446
Interest on bank borrowings	**23,364**	10,287
	119,834	98,733

6. PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
Cost of inventories sold	**10,180,276**	8,778,279
Depreciation	**639,818**	492,045
Amortisation of prepaid land lease payments	**23,280**	20,536
Amortisation of intangible assets	**12,321**	9,681
Minimum lease payments under operating leases:	**103,862**	84,049
Auditor's remuneration	**3,589**	2,783
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**3,732,745**	3,249,587
Pension scheme contributions	**266,562**	180,709
Other benefits	**136,199**	98,492
	4,135,506	3,528,788
Foreign exchange differences, net*	**138,831**	87,503
Write-down of inventories to net realisable value	**1,900**	11,023
Bank interest income	**(149,171)**	(187,189)
Interest income from entrusted loans	**(28,485)**	(35,246)
Loss on disposal of items of property, plant and equipment	**5,034**	5,847

* *The net foreign exchange differences for the years ended 31 December 2016 and 31 December 2015 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 2016 and 2015 are:

	2016	2015
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**39,366**	27,053
Current Mainland China corporate income tax ("**CIT**")	**652,716**	497,297
Deferred taxation	**3,185**	7,709
	695,267	532,059

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% (2015: 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 (but only a registered office) 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% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong.

Pursuant to the Law of Taxation in Cambodia, Shenzhou (Cambodia) Co., Ltd. ("**Shenzhou Cambodia**") and Daqian Textile (Cambodia) Co., Ltd. ("**Daqian Cambodia**"), wholly-owned subsidiaries incorporated in the Kingdom of Cambodia, are subject to income tax at a rate of 20%, and Daqian Cambodia is entitled to an exemption from income tax for the first four profit-making years starting from 2015. Shenzhou 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% (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 in Japan, is subject to income tax at a rate of 30% of the assessable profits arising in Japan. No provision for Japan income tax has been made as Shenzhou Japan had no assessable profits arising in Japan during the year.

Gain Lucky (Vietnam) Co., Ltd. ("**Gain Lucky Vietnam**") and Worldon (Vietnam) 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 or the fourth year since its establishment. Furthermore, under the laws and regulations of Vietnam, provided that (a) the total investment of at least VND6,000 billion (approximately US$300 million) is paid by June 2016 and January 2018 for Gain Lucky Vietnam and Worldon Vietnam, 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 on which revenue is first generated, 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. Gain Lucky Vietnam had met the aforesaid criteria in 2016 and is entitled to enjoy the tax privilege. Worldon Vietnam had no assessable profits during the year.

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 2016, 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 2016.

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 2016 and 2015 is as follows:

	2016	2015
	RMB'000	*RMB'000*
Profit before tax	**3,642,947**	2,886,901
Tax at the statutory tax rate of 25% (2015: 25%)	**910,737**	721,725
Lower tax rates for specific jurisdictions or enacted by local authorities	**(267,836)**	(206,230)
Adjustments in respect of current tax of previous periods	**(13,790)**	(123)
Profits and losses attributable to associate	**(624)**	239
Income not subject to tax	**(2,210)**	(10)
Expenses not deductible for tax	**21,398**	18,328
Tax losses not recognised during the year	**67,114**	41,511
Utilisation of previously unrecognised deductible tax losses	**(38,052)**	(43,381)
	676,737	532,059
Withholding tax at 5% on the distributed profits of the Group's PRC subsidiaries	**15,000**	–
Withholding tax at 10% on the proceeds from transaction with non-controlling interests of a subsidiary	**3,530**	–
	18,530	–
	695,267	532,059

8. DIVIDENDS

	2016	2015
	RMB'000	*RMB'000*
Proposed final dividend of HK$1.20 (including a special dividend of HK$0.35) (2015: HK$1.07 (including a special dividend of HK$0.35)) per ordinary share	**1,501,687**	1,254,128

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.

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company	**2,947,673**	2,354,664
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.

	2016	2015
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the Company	**2,947,673**	2,354,664
Interest expense on convertible bonds (net of tax)	**93,684**	73,852
Profit used to determine diluted earnings per share	**3,041,357**	2,428,516
Weighted average number of ordinary shares in issue *(thousands)*	**1,399,000**	1,399,000
Adjustment for:		
Assumed conversion of convertible bonds *(thousands)*	**104,000**	102,632
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,503,000**	1,501,632

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade and bills receivables	**2,652,707**	2,001,783

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

	2016	2015
	RMB'000	*RMB'000*
Within three months	**2,445,597**	1,902,454
Over three months	**207,110**	99,329
	2,652,707	2,001,783

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

	2016	2015
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,620,070**	1,993,905
Less than three months past due	**8,766**	3,135
Over three months past due	**23,871**	4,743
	2,652,707	2,001,783

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, the trade and bills receivables were denominated in the following currencies:

	2016		2015	
	Original currency	**RMB equivalent**	Original currency	RMB equivalent
	in thousand	***RMB'000***	*in thousand*	*RMB'000*
US$	**243,710**	**1,690,614**	178,429	1,158,647
RMB		**962,093**		843,136
		2,652,707		2,001,783

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:

	2016	2015
	RMB'000	*RMB'000*
Within six months	**739,842**	642,818
Six months to one year	**4,377**	21,636
One year to two years	**3,632**	4,341
Over two years	**10,366**	9,740
	758,217	678,535

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

	2016			2015		
	Interest rate *(%)*	**Maturity**	**Principal amount** ***RMB'000***	Interest rate *(%)*	Maturity	Principal amount *RMB'000*
Current						
Entrusted loans – guaranteed	**6.40**	**2017**	**150,000**	5.05-5.10	2016	120,000
Non-current						
Entrusted loans – guaranteed			**–**	6.21-6.40	2017	550,000
			150,000			670,000

As at 31 December 2016, entrusted loans are guaranteed by a licensed bank in Mainland China.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016 ***RMB'000***	2015 *RMB'000*
Financial products issued by financial institutions	**3,120,000**	800,000

As at 31 December 2016, certain financial products issued by several financial institutions with a carrying amount of RMB3,120,000,000 (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% (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 of them in the near future.

14. PLEDGED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Current		
Pledged for foreign currency swaps	**–**	1,830,908
Non-current		
Pledged for bank loans	**500,000**	–
	500,000	1,830,908

As at 31 December 2015, bank balance of US$208,046,000, JPY5,800,000,000, EUR14,000,000 and CHF22,866,000, equivalent to approximately RMB1,830,908,000 were restricted until certain foreign currency swaps held by the Group were settled, carrying fixed interest rates from 1.2% to 2.9% per annum. These transactions were completed in current year.

At 31 December 2016, certain of the Group's time deposits with an amount of RMB500,000,000 (2015: Nil) were pledged to secured bank loans granted to the Group. The time deposits have terms of more than one year and have fixed annual rates of return at 3.5%.

15. STRUCTURED DEPOSITS

	2016	2015
	RMB'000	*RMB'000*
Structured deposits in licensed banks in the PRC, at amortised cost	**–**	110,000

As at 31 December 2015, the structured deposits had terms of less than one year with fixed annual rates of return at 3.6%. 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. These structured deposits matured in the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

Business Review

The challenging business environment faced by the whole industry is also a great challenge for the Group. Enterprises only have the opportunity to further develop with continuous innovation. In 2016, the Group continued to expand the scale of overseas production bases and the production efficiency of the Group is increased by detailed management and application of automation equipment. Products delivery time is shortened by according priority to customers' demands while control of cost of expenditure is enhanced by deepening lean production management. In 2016, the revenue and profit attributable to equity holders increased by 19.5% and 25.2% respectively over 2015, breaking historical results of the Group again.

Expanding the scale of overseas bases

With the Phase II project of fabric plants commenced production in Vietnam during the year, production capacity had increased significantly, effectively guaranteeing the growth of the Group's production capacity and results. In addition to supplying the demands for fabric from garment factories in Vietnam and Cambodia, it also met certain shortage in fabric of domestic garment factories in Mainland China. In addition, satisfactory progress was made in the performance of production management and the connection with businesses of the base in mainland China became smoother. Through training and retention of relevant personnel, preparation for further expansion of the production capacity of fabric was completed in terms of management and technical capacity. After construction of the garment factory in Vietnam was completed at the beginning of the year, staff recruitment progressed according to plan and production efficiency also steadily increased with products and services being provided to all core clients of the Group. With the increase in staff size and production efficiency, the garment factory in Vietnam will play an important role in the further growth of the Group. In late 2016, the Group also completed the construction of the special fabrics project in Vietnam and the installation of some of its equipment, and will provide clients with the production of relevant products.

Improve the efficiency of garment production

The intensified aging trend of China's population brought cost pressures and recruitment difficulties to manufacturing enterprises. The Group devoted efforts to continuously improving the production efficiency of enterprises for coping with rising labor costs and reducing the workload of employees, laying a solid foundation for the long-term development of production bases in mainland China. During the year, the Group made the use of production capacity more balanced by measures such as application of automation equipment, development of production mold, optimization of job flow and improvement of planned control. We will strengthen our care of employees by continuous improvement of their working and living environment. Significant increase in production efficiency is achieved, especially in the labor-intensive garment process, effectively reducing the pressure of rising costs.

Improvement of customer service

Improvement of the capabilities of providing all-round customer service is the most important foundation of continuous development of the Group. In recent years, the intensive capital expenditure of the Group guaranteed meeting the demand for production capacity arising from growing orders from our core clients as well as laying the foundation for the future development of the Group. The Group overcame the pressure of management and, in a relatively short period of time, has enabled overseas factories to achieve the desired scale and performance of production and better meet clients' demands for purchase in different markets. In particular, the guarantee provided by fabric plants in Vietnam for raw materials required by garment factories in Cambodia had shortened the production and delivery time for clients satisfying purchase orders from the European Union market while products exported by Vietnamese garment factories had saved tariff costs for clients satisfying purchase order from the Japanese market. Despite the pressure on production scheduling and manufacturing costs, the Group met the demands for short delivery orders from core clients by internal detailed management. During the year, the Group also achieved good results in products development. Provision of better new products for clients is an important component of the capabilities of providing customer service by the Group.

Strengthen the control of cost expenditure

During the year, the Group strengthened the control of cost expenditure, promoted the effective use of materials through detailed management of materials and strengthened the ability in matching product design of clients. The use of DFM (Design-Focused Manufacturing) concept had optimized the technique of products production; enhancing RFT (Rightness of First Time) percentage of products in various production segments had reduced the cost of correction; promotion and improvement of TPM (Total Production and Maintenance) management model had increased integrated efficiency of equipment while reducing material wastage arising from scraping. The Group had set relevant assessment targets for each production department and achieved the desired results of cost control through participation and efforts of all staff.

FINANCIAL REVIEW

Revenues

Revenue for the year ended 31 December 2016 amounted to approximately RMB15,099,076,000, representing an increase of RMB2,459,744,000 or about 19.5% when compared to RMB12,639,332,000 for the year ended 31 December 2015. The increase in revenue was mainly due to: (1) the increase in production efficiency of the garment plants in mainland China; (2) the expansion in productivity of the factories in Vietnam; and (3) satisfactory revenue growth in sportswear.

The comparison of the revenue of the Group for 2016 and 2015 by product categories is as follows:

	For the year ended 31 December					
	2016		2015		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sports wear	**9,815,537**	**65.0**	8,028,054	63.5	1,787,483	22.3
Casual wear	**3,886,024**	**25.7**	3,476,499	27.5	409,525	11.8
Lingerie wear	**1,293,111**	**8.6**	1,022,233	8.1	270,878	26.5
Other knitwear	**104,404**	**0.7**	112,546	0.9	(8,142)	(7.2)
Total revenue	**15,099,076**	**100.0**	12,639,332	100.0	2,459,744	19.5

For the year ended 31 December 2016, revenue from sale of sportswear amounted to approximately RMB9,815,537,000, representing an increase of RMB1,787,483,000 or 22.3% from approximately RMB8,028,054,000 for the year ended 31 December 2015. The increase in revenue from sales of sportswear was mainly attributable to the increase in demands of international brands in the Europe and garment in the mainland China, as well as increase in demands of sportswear fabric.

Revenue from sale of casual wear increased from RMB3,476,499,000 for the year ended 31 December 2015 to RMB3,886,024,000 for the year ended 31 December 2016, representing an increase of RMB409,525,000 or approximately 11.8%, which was mainly attributable to the increase in demand for purchase of casual wear in mainland China, Taiwan and Southeast Asia.

Revenue from sale of lingerie products increased from RMB1,022,233,000 for the year ended 31 December 2015 to RMB1,293,111,000 for the year ended 31 December 2016, representing an increase of RMB270,878,000 or approximately 26.5%, which was mainly attributable to the increase in demand for purchase of lingerie resumed in Japan.

The comparison of the revenue of the Group for 2016 and 2015 by market regions is as follows:

	For the year ended 31 December					
	2016		2015		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
Europe	**3,355,516**	**22.2**	2,319,860	18.4	1,035,656	44.6
Japan	**3,003,735**	**19.9**	2,859,692	22.6	144,043	5.0
US	**1,548,387**	**10.3**	1,588,689	12.6	(40,302)	(2.5)
Others	**3,501,563**	**23.2**	2,875,548	22.7	626,015	21.8
Sub-total for international sales	**11,409,201**	**75.6**	9,643,789	76.3	1,765,412	18.3
Domestic sales	**3,689,875**	**24.4**	2,995,543	23.7	694,332	23.2
Total revenue	**15,099,076**	**100.0**	12,639,332	100.0	2,459,744	19.5

The Group's revenue from the European market for the year ended 31 December 2016 amounted to approximately RMB3,355,516,000, representing an increase of RMB1,035,656,000 or approximately 44.6% from approximately RMB2,319,860,000 for the year ended 31 December 2015. During the year, the Group's revenue from the European market surpassed the Japanese market for the first time, which was mainly attributable to the increase in demands for purchase of sportswear in Europe and the increase in productivity of the Group's overseas production bases.

For the year ended 31 December 2016, the Group's revenue from the Japanese market was approximately RMB3,003,735,000, representing an increase of RMB144,043,000 or approximately 5.0% as compared to approximately RMB2,859,692,000 for the year ended 31 December 2015. It was mainly attributable to the increase in demand for purchase of lingerie resumed in Japan.

The Group's revenue from the US market for the year ended 31 December 2016 amounted to approximately RMB1,548,387,000, representing a decrease of RMB40,302,000 or approximately 2.5% from RMB1,588,689,000 for the year ended 31 December 2015, which was mainly attributable to the decrease in import demand for garment in the US.

The Group maintained its satisfactory revenue growth in other markets including Korea, Taiwan and Hong Kong. Revenue from other markets for the year ended 31 December 2016 surged by 21.8% as compared with last year.

For the year ended 31 December 2016, the revenue of the Group from domestic market increased 23.2% as compared with last year, with sales of apparels in the domestic market amounted to approximately RMB3,601,660,000, representing an increase of RMB718,443,000 or approximately 24.9% from RMB2,883,217,000 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 2016 amounted to approximately RMB10,189,636,000 (2015: RMB8,790,416,000). The Group's gross profit margin of sales in 2016 was 32.5%, representing an increase of approximately 2.0 percentage points when compared to 30.5% in 2015. During the year, major factors affecting the gross profit margin included: (1) the significant increase in productivity of the Group's production bases in mainland China during the year; (2) the product structure continued being optimized; and (3) the depreciation of exchange rate of RMB against US.

Equity attributable to equity holders of the Company

As at 31 December 2016, the Group's equity attributable to equity holders of the Company amounted to RMB15,092,944,000 (2015: RMB13,074,120,000), of which non-current assets, net current assets, non-current liabilities and equity attributable to non-controlling interests amounted to RMB8,980,567,000 (2015: RMB7,450,113,000), RMB9,741,013,000 (2015: RMB8,756,732,000), RMB3,411,978,000 (2015: 3,117,009,000) and RMB216,658,000 (2015: RMB15,716,000), 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 2016, net cash generated from the Group's operating activities amounted to approximately RMB3,061,398,000; in 2015, it was approximately RMB2,259,107,000. Cash and cash equivalents of the Group as at 31 December 2016 was approximately RMB2,105,184,000, of which RMB983,234,000 was denominated in RMB, RMB1,033,681,000 was denominated in US dollar, RMB35,925,000 was denominated in Hong Kong dollar, RMB39,168,000 was denominated in Euro, RMB12,256,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies (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 RMB1,241,433,000 (2015: RMB656,851,000), all being short-term bank borrowings. The outstanding balance of the debt component of convertible bonds was RMB3,410,145,000 (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 31 December 2016 amounted to RMB2,546,394,000, which increased by RMB588,212,000 as compared to RMB1,958,182,000 as at 31 December 2015. The new bank borrowings was mainly utilized for capital expenditure of the Group in Vietnam and investment financial products.

Equity attributable to equity holders of the Company amounted to RMB15,092,944,000 (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 the equity holders of the Company) of 30.8% (2015: 28.9%).

On 18 June 2014 (the "**Issue Date**"), 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 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 (subject to adjustment) and the current conversion price after the adjustment on 11 June 2016 is HK$37.50 per share (subject to further adjustment in accordance with its terms and conditions). The maximum number of shares to be issued upon full conversion of the convertible bonds under the above conversion price will be 104,000,000 shares. 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 were fully used for business expansion of the production base in Vietnam and for general corporate purpose for the year ended 31 December 2016.

As part of the Group's overall treasury management policy, the Group purchased financial products (including entrusted loans and available-for-sale investments) 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 notes 12, 13, 14 and 15 to the Financial Statements contained in this announcement.

Pledge of the Group's assets

Bank borrowings of the Group in Vietnam amounted to approximately US$55,302,000 (approximately RMB383,633,000) and outstanding balance of letter of credit amounted to 7,777,000 Euro and US$1,797,000 (totaling approximately RMB69,290,000) were pledged by relevant equipments of Gain Lucky Vietnam. For the year ended 31 December 2016, the costs of the pledged equipments was US$100,000,000 (approximately RMB693,700,000) and its net book value was approximately US$88,337,000 (approximately RMB612,791,000).

At 31 December 2016, certain of the Group's time deposits with an amount of RMB500,000,000 (2015: Nil) were pledged to secured bank loans granted to the Group. The time deposits have terms of more than one year and have fixed annual rates of return at 3.5%.

Finance costs and tax

For the year ended 31 December 2016, finance costs increased from RMB98,733,000 for the year ended 31 December 2015 to RMB119,834,000, mainly due to the increase of interest expenditure of the convertible bonds resulting from the appreciation of HK$ against RMB and the increase in average balance of the Group's bank borrowings during the year. During the year, the Group's US dollar annual borrowing rate ranged from 3.1% to 3.5% (2015: the US dollar annual borrowing rate ranged from 2.6% to 3.0%).

For the year ended 31 December 2016, income tax expense of the Group amounted to RMB695,267,000, representing an increase of RMB163,208,000 when compared to income tax expense of RMB532,059,000 for the year ended 31 December 2015. The increase in income tax expense was mainly due to the increase in taxable profit of the Group.

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) and the existing conversion price after the adjustment on 11 June 2016 is HK$37.50 per share (subject to further adjustment in accordance with its terms and conditions). The maximum number of shares to be issued upon full conversion of the convertible bonds under the new conversion price will be 104,000,000 shares. 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 2016, the proceeds from such issue had been all 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 announcements of the Company dated 22 May 2014, 18 June 2014 and 19 June 2014.

As of 31 December 2016, no convertible bonds have been converted into shares of the Company pursuant to the relevant terms and conditions of the convertible bonds.

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.

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 2016, in the total amount of bank loans, there were loans of approximately RMB383,633,000 denominated in US dollars (approximately US$55,302,000 in original currency), and loans of RMB357,800,000 denominated in Hong Kong dollars (HK$400,000,000 in original currency) (31 December 2015: loans of RMB70,391,000 denominated in US dollars (approximately US$10,840,000 in original currency) and loans of approximately RMB586,460,000 denominated in Hong Kong dollars (HK$700,000,000 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 operations.

Employment, training and development

As at 31 December 2016, the Group employed approximately 74,600 employees in total. Total staff costs, including administrative and management staff, accounted for approximately 27.4% (2015: 27.9%) 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 capital commitments

During the year, the Group's total investment in property, plant and equipment and prepaid land lease payments amounted to approximately RMB2,082,682,000, of which approximately 54% was used for the acquisition of production equipment, approximately 42% 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.

As at 31 December 2016, the Group had contracted capital commitments of approximately RMB435,010,000 in connection with the acquisition and construction of land use right, properties, plants and equipment, which will be mainly financed by internal resources.

Significant Investments, Acquisitions and Disposals

On 26 August 2016, the Company entered into a share purchase agreement with NetEase (Hong Kong) Limited ("**NetEase HK**"), a wholly-owned subsidiary of NetEase, Inc., pursuant to which the Company agreed to transfer 49% equity interests of Maxwin BVI (which holds Maxwin HK, Maxwin (China) Limited, Anhui Maxwin Fashion Co., Ltd., Ningbo Maxwin Fashion Co., Ltd. and Shanghai Maxwin Garments Co., Ltd.) to NetEase HK. The share transfer was completed on 1 September 2016. Maxwin BVI and its subsidiaries are engaged in the retail business of casual and sportswear apparel under their own brands in mainland China.

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

Contingent Liabilities

As at 31 December 2016, 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 2016.

FUTURE PROSPECTS AND STRATEGIES

With the slowdown in global economic growth and rising costs resulting in great challenges to the development of textile and garment enterprises, differentiation in business operation of different enterprises in the industry will continue to expand and concentration of the industry will further increase. Cross-border industrial transfer will gradually strike a balance and the entry barrier of the industry will gradually increase. The current industry is undergoing a period of adjustment. Enterprises with better resources should accelerate industrial restructuring, changing from external expansion growth of low resource costs and high material consumption in the past to high efficiency and detailed internal growth. With the help of improvement in information technology and automation, development of the industry is promoted as new growth opportunities in the industry are being conceived during the change.

The future development of the Group will focus on enhancing the sustainable development capability of enterprises, implementing the plan of strengthening manpower resources, enhancing R&D innovation of products, improving the level of informatization of enterprise management and automation level of the production process, and continuing pushing forward strategies such as lean production management.

Human resources are fundamental guarantee for continuous development of enterprises. In consideration of expansion of enterprises and the need for future management succession at various levels, the Group will strengthen efforts in recruiting and training of talents, select outstanding individuals who agree with the corporate culture of the Group and establish talent pool mechanism for various levels of management. The transformation and reform of enterprises not only depend on experience in the industry and dedication of the existing team but also various professional capabilities of new entrants for achieving better management results.

The Group will further increase capital investment and management improvement, enhance all-round innovation capability of enterprises with the focus of innovation on products, technologies and management, and establish a good mechanism for promoting the continuous improvement of innovation capability. The Group will pay particular attention to the development and utilization of new raw materials, develop quality eco-friendly new products for promoting growth in demand; lower the skills requirements of production staff and improve the comfortability of staff with work through innovation and improvement of equipment and processes.

The Group will further enhance the level of informatized management for promoting the improvement of management efficiency and the relevance of decision-making. The Group aims to achieve quick and accurate data and information through informalization as well as lowering the efforts for information analysis and processing while improving efficiency of information processing and accuracy of feedback intervention through the analysis of irregular data and the alert of information system. In addition, the Group will continue to optimize the means of information collection, establish better connection with information of automation equipment and improve the intelligence level of production process.

The Group will continue to promote lean production management in order to achieve optimal use of relevant resources as energy-saving, eco-friendly production equipment is introduced to achieve whole process of green manufacturing. As our goal of production management, the Group will produce quality eco-friendly products at a competitive cost.

The current industry environment is challenging while presenting development opportunities. The Group will strive to promote innovation and reform, integrate resources and implement established development strategies. We believe in brighter future prospects and will create better returns for investors. As the retail business has not reached the expected target, the management will review the development strategy of the remaining 51% equity interest in retail business. The Group plans to focus on OEM business in the future.

FINAL DIVIDEND (INCLUDING SPECIAL DIVIDEND)

The Board recommends the payment of a final dividend of HK$1.20 per share (including a special dividend of HK$0.35 per share) (equivalent to approximately RMB1.07 per share) for the year ended 31 December 2016 to shareholders whose names appear on the register of members of the Company on 9 June 2017. 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 2017 and subject to such approval having been obtained, the payment of such dividend is expected to be in late June 2017 (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 2017 to 26 May 2017, 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 2017.

The Register of Members of the Company will be closed from 6 June 2017 to 9 June 2017, both dates inclusive, during such period no transfer of shares will be registered. In order to qualify for the said final dividend (including special dividend) which will be resolved and voted at the AGM, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2017.

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 2016.

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 2016, 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 2017 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 ("**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 ended 31 December 2016.

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 2016, 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, risk management, internal control and financial statements matters including the review of the financial statements for the year ended 31 December 2016.

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 2016 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 2016.

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 2017.

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 2017 at 10 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 five executive Directors, namely Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Mr. Wang Cunbo and Ms. Chen Zhifen; and three independent non-executive Directors, namely 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, 27 March 2017