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 2017

HIGHLIGHTS

- Sales for the year ended 31 December 2017 amounted to approximately RMB18,085,247,000, representing an increase of 19.8% when compared with the year of 2016.
- For the year ended 31 December 2017, percentage of sports wear products sales to total sales was approximately 66.6%. Sales of Sports wear products increased by 22.8% when compared with the year of 2016.
- For the year ended 31 December 2017, percentage of casual wear products sales to total sales was approximately 25.4%. Sales of Casual wear products increased by 18.4% when compared with the year of 2016.
- For the year ended 31 December 2017, percentage of lingerie wear products sales to total sales was approximately 7.2%. Sales of Lingerie wear products increased by 0.7% when compared with the year of 2016.
- Gross profit margin stood at 31.4% in 2017, representing a decrease of 1.1 percentage points from last year. Gross profit for the year ended 31 December 2017 amounted to approximately RMB5,671,300,000, representing an increase of 15.5% when compared with the year of 2016.
- Net profit for the year ended 31 December 2017 amounted to approximately RMB3,759,951,000, an increase of 27.6% when compared with the year of 2016.
- Proposed to declare a final dividend of HK$0.75 per ordinary share together with interim dividend declared of HK$0.70 per ordinary share, the total dividend proposed to be declared for the year 2017 was HK$1.45 per ordinary share, representing an increase of 20.8% when compared with HK$1.20 of 2016.

* *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 2017, together with the comparative amounts for the corresponding year of 2016 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	**2017** *RMB'000*	2016 *RMB'000*
REVENUE	*4*	**18,085,247**	15,099,076
Cost of sales		**(12,413,947)**	(10,189,636)
Gross profit		**5,671,300**	4,909,440
Other income	*4*	**571,554**	461,640
Selling and distribution expenses		**(469,833)**	(353,693)
Administrative expenses		**(1,231,175)**	(1,102,797)
Other expenses		**(134,277)**	(154,305)
Finance costs	*5*	**(123,016)**	(119,834)
Share of profits of an associate		**3,678**	2,496
PROFIT BEFORE TAX	*6*	**4,288,231**	3,642,947
Income tax expense	*7*	**(528,280)**	(695,267)
PROFIT FOR THE YEAR		**3,759,951**	2,947,680
Attributable to:			
Owners of the Company		**3,762,721**	2,947,673
Non-controlling interests		**(2,770)**	7
		3,759,951	2,947,680
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic			
– For profit for the year		**RMB2.58**	RMB2.11
Diluted			
– For profit for the year		**RMB2.53**	RMB2.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**3,759,951**	2,947,680
OTHER COMPREHENSIVE INCOME		
Exchange differences:		
Exchange differences on translation of foreign operations	**(130,313)**	186,687
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(130,313)**	186,687
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,629,638**	3,134,367
ATTRIBUTABLE TO:		
Owners of the Company	**3,642,824**	3,124,619
Non-controlling interests	**(13,186)**	9,748
	3,629,638	3,134,367

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,116,787**	7,013,037
Prepaid land lease payments		**956,908**	923,172
Intangible assets		**98,257**	105,228
Pledged deposits	*14*	**500,000**	500,000
Long-term time deposits at banks	*14*	**150,000**	350,000
Long-term prepayments		**44,291**	78,328
An investment in an associate		**10,851**	7,173
Deferred tax assets		**9,632**	3,629
Total non-current assets		**8,886,726**	8,980,567
CURRENT ASSETS			
Inventories		**4,477,489**	3,699,090
Trade and bills receivables	*10*	**2,814,779**	2,652,707
Prepayments, deposits and other receivables		**809,786**	674,236
Amounts due from related parties		**606**	826
Entrusted loans	*12*	**–**	150,000
Available-for-sale investments	*13*	**2,976,900**	3,120,000
Structured deposits	*15*	**1,050,000**	–
Bank deposits with an initial term of over three months	*14*	**605,518**	433,452
Cash and cash equivalents	*14*	**2,471,401**	2,105,184
Total current assets		**15,206,479**	12,835,495
CURRENT LIABILITIES			
Trade payables	*11*	**873,106**	758,217
Advances from customers		**26,225**	16,650
Other payables and accruals		**944,649**	787,074
Interest-bearing bank borrowings		**2,130,409**	1,241,433
Tax payable		**290,966**	291,108
Total current liabilities		**4,265,355**	3,094,482

	2017	2016
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**10,941,124**	9,741,013
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,827,850**	18,721,580
NON-CURRENT LIABILITIES		
Convertible bonds	**–**	3,410,145
Deferred tax liabilities	**3,197**	1,833
Total non-current liabilities	**3,197**	3,411,978
NET ASSETS	**19,824,653**	15,309,602
EQUITY		
Equity attributable to owners of the Company		
Share capital	**151,200**	142,105
Reserves	**19,469,981**	14,950,839
	19,621,181	15,092,944
Non-controlling interests	**203,472**	216,658
Total equity	**19,824,653**	15,309,602

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and there is one reportable operating segment: the manufacture and sale of knitwear products. Management monitors the operating results of its business units as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**4,844,588**	3,689,875
European Union	**4,031,077**	3,355,516
Japan	**3,129,042**	3,003,735
United States of America	**2,337,903**	1,548,387
Other regions	**3,742,637**	3,501,563
	18,085,247	15,099,076

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

(b) Non-current assets

	2017	2016
	RMB'000	*RMB'000*
Mainland China	**5,005,773**	4,816,266
Vietnam	**3,066,377**	3,161,473
Cambodia	**138,291**	135,094
Other regions	**5,802**	6,932
	8,216,243	8,119,765

The non-current asset information above is based on the locations of the assets and excludes 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 10% or more of the Group's revenue is as follows:

	2017	2016
	RMB'000	*RMB'000*
Customer A	**5,256,058**	3,868,526
Customer B	**3,697,096**	3,368,179
Customer C	**3,609,402**	3,421,963

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:

	2017	2016
	RMB'000	*RMB'000*
Revenue		
Sale of goods	**18,085,247**	15,099,076
Other income		
Government grants	**341,436**	261,275
Bank interest income	**205,846**	149,171
Interest income from entrusted loans	**5,590**	28,485
Rental income	**18,682**	22,709
	571,554	461,640

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	RMB'000	*RMB'000*
Interest on convertible bonds	**42,074**	96,470
Interest on bank borrowings	**80,942**	23,364
	123,016	119,834

6. PROFIT BEFORE TAX

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

	2017	2016
	RMB'000	*RMB'000*
Cost of inventories sold	**12,388,106**	10,180,276
Depreciation of items of property, plant and equipment	**751,125**	639,818
Amortisation of prepaid land lease payments	**24,447**	23,280
Amortisation of intangible assets	**8,119**	12,275
Minimum lease payments under operating leases	**150,364**	103,862
Auditor's remuneration	**2,983**	3,589
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**4,385,206**	3,732,745
Pension scheme contributions	**382,511**	266,562
Other benefits	**148,774**	136,199
	4,916,491	4,135,506
Foreign exchange differences, net*	**98,041**	138,831
Write-down of inventories to net realisable value	**26,659**	1,900
Bank interest income	**(205,846)**	(149,171)
Interest income from entrusted loans	**(5,590)**	(28,485)
Loss on disposal of items of property, plant and equipment	**26,350**	5,034

* *The net foreign exchange differences for the years ended 31 December 2017 and 31 December 2016 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 2017 and 2016 are:

	2017	2016
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**45,883**	39,366
Current Mainland China corporate income tax ("**CIT**")	**487,036**	652,716
Deferred taxation	**(4,639)**	3,185
	528,280	695,267

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.

The Company and the subsidiaries which carry on business in Hong Kong, are subject to Hong Kong profits tax at a rate of 16.5% (2016: 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 (but only a registered office) or carry on any business in the BVI, and therefore are not subject to tax.

The subsidiaries incorporated in the Kingdom of Cambodia, are subject to income tax at a rate of 20% (2016: 20%). Certain subsidiaries are entitled to an exemption from income tax for the first four profit-making years pursuant to the Law of Taxation in Cambodia.

The subsidiary incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% (2016: 30%) of the assessable profits arising in Japan.

The subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%. Under the laws and regulations of Vietnam, certain subsidiaries are entitled to enjoy a lower profits tax rate of 10%. Furthermore, certain subsidiaries are entitled to an exemption from income tax for four years and 50% reduction for the nine years thereafter.

The subsidiary incorporated in 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 as determined for the year in accordance with the New CIT Law are subject to a tax rate of 25% on their assessable income. Certain subsidiary is qualified as a High-New Technology Enterprise ("HNTE"), and is 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 2017 and 2016 is as follows:

	2017	2016
	RMB'000	*RMB'000*
Profit before tax	**4,288,231**	3,642,947
Tax at the statutory tax rate of 25% (2016: 25%)	**1,072,058**	910,737
Lower tax rates and tax exemption for specific jurisdictions or enacted by local authorities	**(531,354)**	(267,836)
Adjustments in respect of current tax of previous periods	**(5,516)**	(13,790)
Profits attributable to an associate	**(920)**	(624)
Income not subject to tax	**(2,583)**	(2,210)
Expenses not deductible for tax	**17,050**	21,398
Tax losses not recognised during the year	**14,026**	67,114
Utilisation of previously unrecognised deductible tax losses	**(34,481)**	(38,052)
	528,280	676,737
Withholding tax at 5% on the distributed profits of the Group's PRC subsidiaries	**–**	15,000
Withholding tax at 10% on the proceeds from a transaction with non-controlling interest of a subsidiary	**–**	3,530
	528,280	695,267

8. DIVIDENDS

	2017	2016
	RMB'000	*RMB'000*
Interim – HK$0.70 (2016: Nil) per ordinary share	**888,540**	–
Proposed final – HK$0.75 (2016: HK$1.20) per ordinary share	**942,408**	1,595,287
	1,830,948	1,595,287

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,456,223,000 (2016: 1,399,000,000) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

Earnings

	2017	2016
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**3,762,721**	2,947,673
Interest on convertible bonds	**42,074**	93,684
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**3,804,795**	3,041,357

Shares

	Number of shares	
	2017	2016
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,456,223,000**	1,399,000,000
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**46,999,397**	104,000,000
Weighted average number of ordinary shares used in diluted earnings per share calculation	**1,503,222,397**	1,503,000,000

Earnings per share

	2017	2016
	RMB	*RMB*
Basic	**2.58**	2.11
Diluted	**2.53**	2.02

10. TRADE AND BILLS RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade and bills receivables	**2,814,779**	2,652,707

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:

	2017	2016
	RMB'000	*RMB'000*
Within three months	**2,709,033**	2,445,597
Over three months	**105,746**	207,110
	2,814,779	2,652,707

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**2,801,177**	2,620,070
Less than three months past due	**6,747**	8,766
Over three months past due	**6,855**	23,871
	2,814,779	2,652,707

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:

	2017		2016	
	Original currency ***in thousand***	**RMB equivalent** ***RMB'000***	Original currency *in thousand*	RMB equivalent *RMB'000*
US$	**255,432**	**1,669,042**	243,710	1,690,614
RMB		**1,145,737**		962,093
		2,814,779		2,652,707

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

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period is as follows:

	2017 ***RMB'000***	2016 *RMB'000*
Within six months	**847,695**	739,842
Six months to one year	**7,761**	4,377
One year to two years	**7,630**	3,632
Over two years	**10,020**	10,366
	873,106	758,217

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

12. ENTRUSTED LOANS

	2017			2016		
	Interest rate *(%)*	**Maturity**	**Principal amount** ***RMB'000***	Interest rate *(%)*	Maturity	Principal amount *RMB'000*
Current						
Entrusted loans – guaranteed	**N/A**	**N/A**	**–**	6.40	2017	150,000

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

13. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Financial products issued by financial institutions	**2,976,900**	3,120,000

As at 31 December 2017, certain financial products issued by financial institutions with a carrying amount of RMB2,976,900,000 (2016: RMB3,120,000,000) were stated at cost less impairment. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The financial products have terms of less than one year and have expected annual rates of return up to 5.5% (2016: 4.8%). Pursuant to the underlying contracts or notices, these financial products are capital guaranteed. The Group does not intend to dispose of them in the near future.

14. CASH AND BANK BALANCES AND TIME DEPOSITS

	2017	2016
	RMB'000	*RMB'000*
Cash and bank balances	**2,079,349**	1,961,086
Time deposits	**1,647,570**	1,427,550
	3,726,919	3,388,636
Less: Pledged deposits	**(500,000)**	(500,000)
Bank deposits with an initial term of over three months	**(605,518)**	(433,452)
Long-term time deposits at banks	**(150,000)**	(350,000)
Cash and cash equivalents	**2,471,401**	2,105,184

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB352,935,000 (31 December 2016: RMB983,234,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and 36 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

At 31 December 2017, certain of the Group's time deposits with an amount of RMB500,000,000 (31 December 2016: RMB500,000,000) 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

	2017	2016
	RMB'000	*RMB'000*
Structured deposits in licensed banks in the PRC, at amortised cost	**1,050,000**	–

As at 31 December 2017, the structured deposits had terms of less than one year with fixed annual rates of return up to 4.65%. Pursuant to the underlying contracts or notices, these structured deposits are capital and return guaranteed.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

Business review

Under operation pressure of rising costs and sharp appreciation of RMB, sales income and operation performance of the Group in 2017 has experienced ideal increase, whose sales revenue and profit attributable to equity holders increased by 19.8% and 27.7% as compared with 2016, realizing earnings per share of RMB2.58. During the year, the Group obtained more achievements on capacity expansion of overseas bases, equipment upgrade of domestic bases, investment expansion for environmental protection and continuous improvement of all staff production efficiency, which focused on improvement of long-term sustainable development ability of the Group.

Capacity expansion of overseas bases

During the year, the production capacity of the Group located at overseas sites had expanded significantly, which played an important role for business development of the Group. Operation of newly installed equipment in fabric plants in Vietnam made production capacity of upstream business of the Group to increase sharply and provided capacity supplement for upgrade and transformation of equipment in domestic bases; during the year, staff recruitment of garment factories in Vietnam have met expectations, progresses were made in respect of the technical training provided to the staff and the management level has been matured. With the increase in staff size and efficiency, the garment factories in Vietnam had rapidly increased yield, and apportioned fixed costs per finished product has significantly declined and made profit in the first year. Newly established special fabric factory of the Group in Vietnam was smoothly operated, which completed the talents reserve and training of management and technician, and laid foundation for further expansion of productivity scale.

Equipment replacement in domestic bases

Benefit from increasing production capacity of overseas fabric factory, within the year, the Group started to take upgrade and transformation of equipment of domestic fabric factories by stages, which effectively reduced resource consumption of water and electricity, etc., of unit product by introduction of more automatic and energy-saving equipment; meanwhile, took arrangement, operation and management of production plan by application of informatisation-based system, which reduced the number of frontline operators, improved accuracy of production process and promoted stability of product quality. In addition to equipment transformation, the Group took all-round renewal of original sewer line facilities to avoid bad influence on environment by effluent seepage. In 2018, the Group will continue to make transformation and renovation of uncompleted workshops.

Expanding input in environmental protection

During the year, the Group has completed the installation of two new natural gas boilers, which greatly reduced emission of nitrogen oxides and dust particle by using natural gas as basic fuels instead of biomass. The construction of the project increased the investment and operation costs of the enterprise, but it had important significance to improvement of environment; in addition, the Group cooperated with scientific research institutions on exhaust collection and treatment of setter and recycle of waste heat to greatly reduced emission of exhaust gas; the Group has changed to use LED lamps as lightning source in all plants to effectively save electricity energy. The environmental protection ability will become an important barrier of entry to the industry and the Group will continue to invest in environmental protection.

Continuous improvement of production efficiency

During the year, the Group had significantly improved production effectiveness to effectively promote increase of sales business. The labor pressure of the Group in domestic bases had been alleviated through popularization and application of automation equipment, improvement and optimization of production process, continuous deepening of lean production management and intensified management and control of production plan; management and operation of overseas sites has been matured, where the number of newly recruited labor had been realized under the plan; business training had significant achievements; and the actual output of overseas plants had great improvement than the previous year. In addition, the Group focused on improvement of remuneration and welfare conditions of employees and continued to improve working and life environment of employees, whose enterprise culture and value have been recognized by all staff and the employee stability of the Group had been raised further.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2017, the revenue had been approximately RMB18,085,247,000, which increased by approximately RMB2,986,171,000 than that of approximately RMB15,099,076,000 for the year ended 31 December 2016, with a growing rate of approximately 19.8%. Major reasons for increase of revenue were: (1) capacity expansion and operation management of production sites in Vietnam had been maturing; (2) production efficiency of the Group was continuously improved; and (3) the order demands of major customers kept ideal growth.

The comparison of revenue analyzed as per production classification between 2017 and 2016 of the Group is as below:

	For the year ended 31 December					
	2017		2016		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sports wear	**12,048,896**	**66.6**	9,815,537	65.0	2,233,359	22.8
Casual wear	**4,600,534**	**25.4**	3,886,024	25.7	714,510	18.4
Lingerie wear	**1,302,580**	**7.2**	1,293,111	8.6	9,469	0.7
Other knitwear	**133,237**	**0.8**	104,404	0.7	28,833	27.6
Total revenue	**18,085,247**	**100.0**	15,099,076	100.0	2,986,171	19.8

For the year ended 31 December 2017, revenue from sales of sportswear had been approximately RMB12,048,896,000, which increased by approximately RMB2,233,359,000 than that of approximately RMB9,815,537,000 for the year ended 31 December 2016 with a growing rate of 22.8%. The revenue from sales growth of sportswear mainly come from the increasing clothing demands for international sports brands in European markets and American markets and increasing demands for sportswear fabric products.

For the year ended 31 December 2017, revenue from sales of casual wear had been approximately RMB4,600,534,000, which increased by approximately RMB714,510,000 than that of approximately RMB3,886,024,000 for the year ended 31 December 2016 with a growing rate of approximately 18.4%. It was mainly attributed to the increasing procurement demands for casual wear in Mainland China markets and Japanese markets.

For the year ended 31 December 2017, revenue from sales of lingerie products had been approximately RMB1,302,580,000, which increased by approximately RMB9,469,000 than that of approximately RMB1,293,111,000 for the year ended 31 December 2016 with a growing rate of approximately 0.7%. During the year, the procurement demands for lingerie of major customers kept relatively stable.

The comparison of revenue analyzed as per market segmentation between 2017 and 2016 of the Group is as below:

	For the year ended 31 December					
	2017		**2016**		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
As per market						
Europe	**4,031,077**	**22.3**	3,355,516	22.2	675,561	20.1
Japan	**3,129,042**	**17.3**	3,003,735	19.9	125,307	4.2
USA	**2,337,903**	**12.9**	1,548,387	10.3	789,516	51.0
Others	**3,742,637**	**20.7**	3,501,563	23.2	241,074	6.9
Sub-total of international sales	**13,240,659**	**73.2**	11,409,201	75.6	1,831,458	16.1
Domestic sales	**4,844,588**	**26.8**	3,689,875	24.4	1,154,713	31.3
Total revenue	**18,085,247**	**100.0**	15,099,076	100.0	2,986,171	19.8

For the year ended 31 December 2017, revenue of the Group in European market had been approximately RMB4,031,077,000, which increased by approximately RMB675,561,000 than that of approximately RMB3,355,516,000 for the year ended 31 December 2016 with a growing rate of approximately 20.1%. It was mainly attributed to the increasing consumption demands for sportswear in European market.

For the year ended 31 December 2017, revenue of the Group in Japanese market had been approximately RMB3,129,042,000, which increased by approximately RMB125,307,000 than that of approximately RMB3,003,735,000 for the year ended 31 December 2016 with a growing rate of approximately 4.2%. It was mainly attributed to the increasing procurement demands for casual wear in Japanese market.

For the year ended 31 December 2017, revenue of the Group in USA market had been approximately RMB2,337,903,000, which increased by approximately RMB789,516,000 than that of approximately RMB1,548,387,000 for the year ended 31 December 2016 with a growing rate of approximately 51.0%. The sharply increase in revenue of the Group in USA market was mainly attributed to recovery of the economy of the United States and the increasing demands for sportswear in USA market.

For the year ended 31 December 2017, revenue of the Group in other overseas markets had been approximately RMB3,742,637,000, which increased by approximately RMB241,074,000 than that of approximately RMB3,501,563,000 for the year ended 31 December 2016 with a growing rate of approximately 6.9%. It was mainly attributed to increasing sports fabric products exported to Vietnam.

For the year ended 31 December 2017, the revenue of the Group from domestic market increase 31.3% as compared with last year. Among domestic revenue, sales of the apparels in domestic markets had been approximately RMB4,693,054,000, which increased by approximately RMB1,091,394,000 than that of approximately RMB3,601,660,000 for the year ended 31 December 2016 with a growing rate of approximately 30.3%. The continuous increasing of consumption demands in domestic market drove rapid increase of order demands in domestic markets.

Cost of sales and gross profit

For the year ended 31 December 2017, cost of sales of the Group had been approximately RMB12,413,947,000 (2016: RMB10,189,636,000). The gross profit margin of the Group in 2017 was approximately 31.4%, declining approximately 1.1 percentage points than that of 32.5% in 2016. During the year, factors influencing gross profit margin were mainly attributed to positive contribution of effective improvement of production efficiency of the Group to gross profit margin, while appreciation of exchange rate of RMB against USD, rising of labor costs and price of raw materials had negative effect on gross profit margin.

Equities attributable to equity holders of the Company

As at 31 December 2017, the Group's equity attributable to equity holders of the Company amounted to approximately RMB19,621,181,000 (2016: RMB15,092,944,000), in which non-current assets was approximately RMB8,886,726,000 (2016: RMB8,980,567,000), net current assets of approximately RMB10,941,124,000 (2016: RMB9,741,013,000), non-current liability of approximately RMB3,197,000 (2016: RMB3,411,978,000) and equity attributable to non-controlling interests of approximately RMB203,472,000 (2016: RMB216,658,000). Increase of equities attributable to equity holders of the Company was mainly attributable to the increase of retained earnings within the year and holders of convertible bonds converting their holding bonds into ordinary shares of the Company.

Liquidity and financial resources

For the year ended 31 December 2017, the net cash of operating activities of the Group was approximately RMB3,689,266,000, while it was approximately RMB3,061,398,000 in 2016. The cash and cash equivalent of the Group as at 31 December 2017 was approximately RMB2,471,401,000, in which approximately RMB352,935,000 was denominated in RMB, approximately RMB2,080,308,000 was denominated in USD, approximately RMB20,220,000 was denominated in Euro, approximately RMB11,793,000 was denominated in HKD, approximately RMB4,451,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies (2016: RMB2,105,184,000, in which RMB983,234,000 was denominated in RMB, RMB1,033,681,000 was denominated in USD, RMB39,168,000 was denominated in Euro, RMB35,925,000 was denominated in HKD, RMB12,256,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies). The balance of bank borrowings was approximately RMB2,130,409,000 (2016: RMB1,241,433,000), all being short-term bank borrowing. The net cash of the Group as at 31 December 2017 (cash and cash equivalent less bank borrowing) was approximately RMB340,992,000, while net borrowing was approximately RMB2,546,394,000 as at 31 December 2016 (bank borrowings and the balance of the debt component of convertible bonds less cash and cash equivalent) with net cash increasing approximately RMB2,887,386,000, which was mainly attributed that all convertible bonds issued in June 2014 were converted to ordinary shares of the company and then reduced related debts within the year.

Equity attributable to equity holders of the Company amounted to approximately RMB19,621,181,000 (2016: RMB15,092,944,000). The Group had a good cash flow position and debt to equity ratio was 10.9% (which was calculated as percentage of total outstanding borrowings to equities attributable to equity holders of the Company) (2016: 30.8%), whose major reason for sharply decline than the previous year was converting share of convertible bonds less related debts.

The Company issued convertible bonds with an aggregate principal amount of HKD3,900,000,000 (equivalent to approximately RMB3,097,380,000 according to calculate at exchange rate of HKD1.00 to RMB0.7942 on issue date) on 18 June 2014 ("the **Issue Dat**e") with 0.5% of coupon rate and payable semi-annually. The maturity date of the bonds would be 18 June 2019 ("the **Maturity Date**") unless they were previously redeemed, converted, purchased or cancelled or otherwise provided in the terms and conditons of the bonds. The Company could redeem the convertible bonds as per 103.86% of the principal amounts on Maturity Date. On the Issue Date, the initially recognition amount of debt part of the bonds was approximately RMB2,846,450,000, which was calculated as per 3.55% of market interest rate of non-convertible bonds in same class. Approximately RMB197,140,000 of equities component amount had been calculated in reserves of shareholders' equities. The net proceeds from issuing the bonds was approximately HKD3,832,271,000, which had been fully used for business expansion and normal corporate purposes. During the year, above convertible bonds had been totally converted to shares of the company, correspondingly increasing 104,222,397 shares of ordinary shares of the Company.

As a part of overall treasury management policies of the Group, the Group purchased financial products from licensed banks of China (including available-for-sale investments, entrusted loans, secured loan and structural deposits) to maximize the return brought by idle money of the Group through legal and low-risk channel. The results for applicable size test about purchasing the financial products was lower than 5%, thus, this purchase was not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules (as defined below). The purchase of such financial products had get approval of investment and lending committee established by Board of directors based on implementation of treasury management policies of the Company.

Pledge of assets of the group

Bank borrowings of the Group in Vietnam amounted to approximately USD40,072,000 (approximately RMB261,836,000) and unsettled balance of letter of credit amounted to approximately EUR22,935,000 and approximately USD1,506,000 (totally equivalent to approximately RMB188,785,000) had been pledged by related equipments and real estate of Gain Lucky (Vietnam) Limited, a subsidiary of the Group. For the year ended 31 December 2017, the costs of pledged assets was approximately USD158,000,000 (equivalent to approximately RMB1,032,404,000) and net book value was approximately USD131,120,000 (equivalent to approximately RMB856,765,000).

As at 31 December 2017, certain of time deposit of the Group RMB500,000,000 (2016: RMB500,000,000) were pledged to secure bank loans granted to the Group. The term of time deposit exceeded one year and the fixed annual rate of return was 3.5%.

Financing costs and tax

For the year ended 31 December 2017, the financing cost had increased to approximately RMB123,016,000 from approximately RMB119,834,000 for the year ended 31 December 2016, which was mainly attributed to increasing of average balance of the group from the bank borrowing during the year. The annual rate of USD borrowings of the Group was between 2.1% and 4.1% during the year (2016: USD annual borrowing rate was between 3.1% and 3.5%).

For the year ended 31 December 2017, the income tax expense of the Group was approximately RMB528,280,000, declining RMB166,987,000 than that of approximately RMB695,267,000 for the year ended 31 December 2016 which was mainly attributed that Vietnamese subsidiary of the Group made profit within the year and benefited preferential policy for income tax and then reduced the whole tax burden 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$1.00 = 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 latest conversion price after the adjustment on 10 June 2017 is HK$37.01 per share. On the Issue Date, the initial recognition amount of approximately 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 approximately 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 2017, 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 2017, all convertible bonds have been converted into a total of 104,222,397 shares of the Company pursuant to the relevant terms and conditions of the convertible bonds. Such convertible bonds were officially cancelled on 26 September 2017. Details of which are set in the announcement of the Company on 26 September 2017.

Exposure to foreign exchange

The exchange rate fluctuation had a certain influence on costs and operating profits of the group as sales of the Group was mainly settled in USD and the procurement was mainly settled in RMB. For the current situation of exchange rate fluctuation of USD to RMB, the Group adopted related policies to hedge part of related exchange risk. As hedged amount depend on USD earnings, procurement and capital expenditure of the Group, and also determined by market prediction of exchange rate fluctuation of USD to RMB.

In order to avoid decrease in value of future cash flows and volatility caused by any change of exchange rate of RMB to USD, the Group had arranged certain amount of loans denominated in USD and loans denominated in HKD with linked exchange rate with USD. In total bank loan as at 31 December 2017, the loan of approximately RMB460,149,000 denominated in US dollars (calculating amount of original currency of approximately USD70,422,000) and loan of approximately RMB1,170,260,000 denominated in HK dollars (calculating amount of original currency of approximately HKD1,400,000,000) (31 December 2016: loan of approximately RMB383,633,000 denominated in US dollars (calculating amount of original currency of approximately USD55,302,000) and loan of approximately RMB357,800,000 denominated in HKD (calculating amount of original currency of approximately HKD400,000,000)). The global layout of the production sites of the group would reduce impact of exchange rate fluctuation of RMB to USD on business.

Employment, training and development

As at 31 December 2017, the Group totally employed approximately 77,100 employees. During the year, total labor costs (including administration and management staff) accounted for approximately 27.2% of sales of the Group (2016: 27.4%). The Group gave remunerations to employees based on their performance and qualifications as well as industrial convention and took regular review on remuneration policies. According to annual performance appraisal, employees would get year-end bonus and reward. In addition, the Company would give rewards to employees or encouragement in other forms to promote individual growth of employees and career development. For example, the Group continued to provide trainings for employees to improve their technologies, product knowledge and understanding of industrial quality standard. All new staff of the Group must attend introductory courses and all staff could also participate in various training courses.

Capital expenditure and capital commitment

During the year, total investment in property, plants and equipment as well as prepaid land lease payment of the Group was approximately RMB1,124,630,000, in which approximately 55% was used for purchasing production equipment, approximately 37% for construction and acquisition of new plant buildings as well as prepayment for land lease, and the remaining balance for procurement of other fixed assets.

As at 31 December 2017, the Group had contracted capital commitments of approximately RMB683,052,000 for procurement of land using right, property, plants and equipment, which was mainly financed with internal resources.

Significant Investments, Acquisitions and Disposals

The Company did not have significant investments, acquisitions and disposals during the Year.

Capital and liabilities ratio

As at 31 December 2017, capital and liability ratio of the Group was 10.9%, which was calculated by percentage of total outstanding loans to equities attributable to equity holders.

Contingent liabilities

As at 31 December 2017, the Group had no any material contingent liabilities.

Future Prospects and Strategies

Affected by factors including accelerated social aging trend, intensified environmental supervision and restrained resource supply, China's textile and garment industry will face the operation pressure of hard recruitment and high costs in a long term. Therefore, the transformation and upgrading of the industry has become a spontaneous behavior of enterprises. Meanwhile, supply-side reform pushed government guided the development of enterprises to turn to focusing on quality and transforming of efficiency from pursuit of speed and scale, where the configuration of resource and factors will be inclined to more competitive advantage enterprises. It is expected that the overall capacity scale of the industry will be relatively stable in the future and the concentration ratio of the industry will be further raised. For the market part, increase of resident income in Mainland China has contributed to increase of consumption ability and has higher requirements for quality upgrading. The domestic market will have more significant driving affect on China's textile and garment industry. Developing countries, such as Vietnam, Cambodia and Bangladesh will have more opportunities to undertake more order demands from overseas market due to their advantages of lower manufacturing costs and good international trading environment, but relatively lagging industrial basis also restricts their development scale. China's textile and garment industry will form a complete industry chain in Asia centered on China and with transnational cooperation through continuous progress on technology and management and enhancement of capacity cooperation with neighboring countries. The synergistic effect of industry will also contribute to economic development of related countries. In view of such, the Group will continue to expand the overseas production scale in Southeast Asia, in particular the expansion of garment production lines in Vietnam and Cambodia.

In order to pursue long-term sustainable development of the Group, the Group will focus on strategy direction of improvement of innovation ability of products, increase of operation efficiency of the enterprise, enhancement of production automation and optimization of human resource management for the future development, as well as pay attention to continuous improvement of environmental protection in all process of product manufacturing including selection and purchase of raw materials, process formulation, equipment selection and end-of-pipe treatment.

The quality of fabrics is the critical factors of competitiveness of clothing products. On the basis of improving traditional quality index of fabrics, the Group will focus on highlighting technological contents of fabric, develop a series of new fabric with differentiation advantage on the aspect of function and environmental protection. The Group will integrate existing resources of research and development institution to cultivate and introduce high-end professional talents through increasing input in R&D and innovation as well as enhance the project cooperation with scientific research institution to build a leading fabric R&D center in the industry. Also, the Group will timely collect and coordinate market information, predict consumption popular trend to cater demands of consumption upgrading by innovative product and win more market shares for customers of the Group.

The Group will continue to enhance automation and informatisation level and increase application of various new technology in the industry to contribute to the improvement of production and management efficiency of the Group. It realizes cutting staff to improve efficiency by machine replacing person, improves working comfort of employees to response to the recruitment pressure in the future and proposes to conform a demand plan of personalized equipment conforming to production process of the Group. The garment innovation center of the Group is a functional institution for promotion of automation project and trial of automation equipment. The informatisation construction of the Group is aimed at improving management efficiency and reducing manual input, especially forming prediction and early warning information to guide front intervention of management through data analysis and comparison in each link, to further improve the ability of short deliver time of the Group, contribute to the best utilization of existing capacity and prevent error in each link as well as achieves effective cost control; meanwhile, improve intelligent level of production process by combination of informatisation and automation.

Talent is the source power of corporate innovation, therefore, optimization of human resource management is the basic guarantee for the development of the Group. The Group will improve key performance indicators of each layer of principals and employees to provide transparent and fair occupational development channel for all staff. Guiding employees to positively improve occupational skills and professional technology with incentive mechanism, the Group will also provide various training and education opportunities as much as possible to push all staff to join in the corporate production improvement; contribute to technological innovation and process optimization of the Group by cultivating, introducing high-end talents of the industry and related multi-industry talents. The Group also pays attention to continuous improvement of employees' work and life environments and provides competitive salary in the industry to make full use of human resource being the first production factor.

The development of technology contributes to the transformation of production pattern in the industry of textile and garment. The Group makes the enterprise more lively and energetic by application of new technology, optimization of resource combinations and improvement of innovation ability. The product quality is the competiveness of an enterprise and capacity scale is the influence of an enterprise. Based on quality first, the Group continues to promote technological content of products to pursue long-term sustainability of the corporate development.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period ended 31 December 2017, as at the date of this announcement which would have any material effect to the Group.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.75 per ordinary share (equivalent to approximately RMB0.65 per ordinary share) for the year ended 31 December 2017 to shareholders whose names appear on the register of members of the Company on 6 June 2018. 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 25 May 2018 and subject to such approval having been obtained, the payment of such dividend is expected to be before late June 2018 (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 21 May 2018 to 25 May 2018, both dates inclusive, during which period no transfer of shares will be registered. In order to establish the identity of the Shareholders who are entitled to attend and vote at the AGM, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 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 18 May 2018.

The Register of Members of the Company will be closed from 4 June 2018 to 6 June 2018, both dates inclusive, during such period no transfer of shares will be registered. In order to establish the identity of the Shareholders who are entitled to the said final dividend which will be resolved and voted at the AGM, all transfer forms, accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 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 1 June 2018.

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 2017.

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 2017, 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 25 May 2018 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 2017.

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.

CHANGES TO INFORMATION OF DIRECTORS

During the twelve months ended 31 December 2017, 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

Save as the issuance of 104,222,397 ordinary shares of the Company pursuant to conversion of the convertible bonds of the Company, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2017.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 31 December 2017.

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.

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.

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 three independent non-executive directors, namely Mr. Jiang Xianpin, Mr. Chen Xu and Mr. Qiu Weiguo. Mr. Jiang Xianpin is the chairman of the Audit Committee. His expertise in accounting, auditing and finance enables him to lead the Audit Committee. On 1 January 2017, Mr. Chen Genxiang resigned as the member of the Audit Committee.

The principal responsibilities of the Audit Committee are to conduct critical and objective reviews of the Group's financial and accounting practices, 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 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 2017.

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 Xu and Mr. Jiang Xianpin, both independent non-executive directors. On 1 January 2017, Mr. Chen Genxiang resigned as the chairman of remuneration committee and Mr. Chen Xu is appointed to fill the vacancy, hence, Mr. Chen Xu 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. For the year ended 31 December 2017, 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 is 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.

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 2017 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.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The annual report of the Company for the year ended 31 December 2017, 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 2018.

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 25 May 2018 at 10 a.m.. Notice of the AGM will be published and issued in due course.

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

Hong Kong, 26 March 2018

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.