SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED
申洲國際集團控股有限公司*

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2313)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

HIGHLIGHTS

- Sales for the six months ended 30 June 2018 amounted to approximately RMB9,159,900,000, representing an increase of 10.8% when compared with the corresponding period of 2017.
- Percentage of sportswear products sales to total sales was approximately 67.9% for the six months ended 30 June 2018. Revenue from sale of sportswear products increased by approximately 12.6% when compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 23.6% for the six months ended 30 June 2018. Revenue from sale of casual wear products increased by approximately 5% when compared with the corresponding period of the previous year.
- Percentage of lingerie products sales to total sales was approximately 7.8% for the six months ended 30 June 2018. Revenue from sale of lingerie products increased by approximately 15.1% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2018 amounted to approximately RMB2,956,863,000, an increase of 13.0% when compared with the corresponding period of 2017. Gross profit margin increased by 0.6 percentage point to 32.3%.
- Net profit attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately RMB2,178,871,000, an increase of approximately 21.1% when compared with the corresponding period of 2017.
- Basic earnings per share were RMB1.45, representing an increase of approximately 14.2% from RMB1.27 for the corresponding period last year.
- The Board had resolved to declare an interim dividend of HK$0.85 per share, representing an increase of approximately 21.4% from HK$0.70 per share for the corresponding period last year.

* *for identification purposes only*

The board (the "Board") of directors (the "Directors") of Shenzhou International Group Holdings Limited ("Shenzhou International" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Reporting Period"), together with the comparative amounts for the corresponding period of 2017. The interim results and interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Unaudited For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**9,159,900**	8,263,585
Cost of sales	*5*	**(6,203,037)**	(5,647,242)
Gross profit		**2,956,863**	2,616,343
Other income and gains	*6*	**442,543**	400,507
Selling and distribution expenses	*5*	**(249,638)**	(214,045)
Administrative expenses	*5*	**(688,129)**	(592,312)
Other expenses	*7*	**(9,485)**	(65,357)
Finance costs	*8*	**(25,592)**	(66,521)
Share of profits of an associate		**1,931**	1,551
PROFIT BEFORE TAX		**2,428,493**	2,080,166
Income tax expense	*9*	**(274,708)**	(294,768)
Profit for the period		**2,153,785**	1,785,398
Attributable to:			
Owners of the Company		**2,178,871**	1,798,664
Non-controlling interests		**(25,086)**	(13,266)
		2,153,785	1,785,398
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic			
– For profit for the period		**RMB1.45**	RMB1.27
Diluted			
– For profit for the period		**N/A**	RMB1.22

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Unaudited For the six months ended 30 June 2018	2017
	RMB'000	*RMB'000*
Profit for the period	**2,153,785**	1,785,398
Other comprehensive income		
Exchange gain on translation of foreign operations	**49,592**	12,194
Other comprehensive income for the period, net of tax	**49,592**	12,194
Total comprehensive income for the period	**2,203,377**	1,797,592
Attributable to:		
Owners of the Company	**2,228,461**	1,815,875
Non-controlling interests	**(25,084)**	(18,283)
	2,203,377	1,797,592

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Notes	**Unaudited 30 June 2018** *RMB'000*	Audited 31 December 2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**7,472,909**	7,116,787
Prepaid land lease payments	*12*	**943,642**	956,908
Intangible assets	*12*	**97,749**	98,257
Pledged deposits		**500,000**	500,000
Long-term time deposits at banks		**50,000**	150,000
Long-term prepayments	*15*	**44,505**	44,291
An investment in an associate		**12,782**	10,851
Deferred tax assets		**9,739**	9,632
Total non-current assets		**9,131,326**	8,886,726
CURRENT ASSETS			
Inventories	*13*	**5,140,725**	4,477,489
Trade and bills receivables	*14*	**2,719,057**	2,814,779
Prepayments, deposits and other receivables	*15*	**1,006,604**	809,786
Amounts due from related parties	*20b*	**2,302**	606
Entrusted loans		**600,000**	—
Financial assets at fair value through profit or loss/ Available-for-sale investments		**3,340,852**	2,976,900
Structured deposits		**750,000**	1,050,000
Pledged deposits		**500,000**	—
Bank deposits with an initial term of over three months		**409,016**	605,518
Cash and cash equivalents		**1,643,650**	2,471,401
Total current assets		**16,112,206**	15,206,479
CURRENT LIABILITIES			
Trade payables	*16*	**1,007,288**	873,106
Advances from customers		**18,277**	26,225
Other payables and accruals	*17*	**618,610**	944,649
Interest-bearing bank borrowings		**2,206,079**	2,130,409
Amounts due to a related party	*20b*	**3,282**	—
Tax payable		**298,617**	290,966
Total current liabilities		**4,152,153**	4,265,355
NET CURRENT ASSETS		**11,960,053**	10,941,124
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,091,379**	19,827,850

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 RMB'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**5,757**	3,197
Total non-current liabilities	**5,757**	3,197
Net assets	**21,085,622**	19,824,653
EQUITY		
Equity attributable to owners of the Company		
Share capital	**151,200**	151,200
Reserves	**20,756,034**	19,469,981
	20,907,234	19,621,181
Non-controlling interests	**178,388**	203,472
Total equity	**21,085,622**	19,824,653

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION

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

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

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 27 August 2018.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the revised standards and interpretations effective on 1 January 2018, noted below:

3.1 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as further explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs has had no material impact on the unaudited interim financial information of the Group. The principal affects for adopting HKFRS 9 and HKFRS 15 are as follows:

(a) ***HKFRS 9 Financial Instruments***

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018.

Classification and measurement

Except for certain debtors, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets is, as follows:

— *Debt instruments at amortised cost* for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and bills receivables, financial assets included in prepayments deposits and other receivables, amounts due from related parties, structured deposits, entrusted loans, pledged deposits, bank deposits with an initial term of over three months, and cash and cash equivalents.

Other financial assets are classified and subsequently measured, as follows:

— *Financial assets at FVPL* comprise derivative instruments and quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. This category includes the Group's available-for-sale investments.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

The ECL allowance is based on difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate ("EIR").

For trade and bills receivables, the Group has applied the standard's simplified approach and has reassessed ECLs based on lifetime expected credit losses. The adoption of new approach did not result in any impact on the amounts reported in the opening balance sheet on January 1, 2018 and the financial information during the six months ended June 30, 2018. Trade and bills receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The following summaries the changes for the Group's financial assets on 1 January 2018, the Group's date of initial application of HKFRS 9:

	Originally stated Available-for-sale financial assets	**Reclassification upon application of HKFRS 9**	**HKFRS 9 Financial assets at FVPL**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale investments	2,976,900	(2,976,900)	—
Financial assets at fair value through profit or loss	—	2,976,900	2,976,900
	2,976,900	—	2,976,900

(b) *HKFRS 15 Revenue from Contracts with Customers*

HKFRS 15, issued in July 2014, established a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard has superseded all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules using modified retrospective method. The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

3.2 Issued but not effective HKFRSs

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies and are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT INFORMATION

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

Geographical information

(a) ***Revenue from external customers***

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**2,617,618**	1,977,013
European Union	**1,851,673**	1,930,968
Japan	**1,428,645**	1,496,797
United States of America	**1,284,560**	1,025,146
Other regions	**1,977,404**	1,833,661
	9,159,900	8,263,585

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

(b) ***Non-current assets***

	Unaudited	Audited
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
Mainland China	**4,982,060**	5,005,773
Vietnam	**3,283,864**	3,066,377
Cambodia	**134,596**	138,291
Other regions	**158,285**	5,802
	8,558,805	8,216,243

The non-current asset information above is based on the locations of the assets and excludes pledged deposits, long-term time deposits at banks, an investment in an associate and deferred tax assets.

Information about major customers

Revenue from major customers which individually accounts for 9% or more of the Group's total revenue are as follows:

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Customer A	**2,715,676**	2,393,026
Customer B	**1,773,452**	1,629,304
Customer C	**1,740,315**	1,678,398
Customer D	**860,212**	844,308
	7,089,655	6,545,036

5. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**2,291,690**	2,192,404
Retirement benefit contributions	**208,037**	236,179
Other benefits	**82,026**	69,117
	2,581,753	2,497,700
Depreciation, amortisation and impairment expenses	**430,455**	385,057
Changes in inventories of finished goods and work in progress	**(577,440)**	(484,111)
Raw materials and consumables utilized	**3,861,406**	3,272,864
Utilities expenses	**382,621**	341,644
Operating lease expenses for properties	**84,015**	67,215
Transportation expenses	**70,274**	76,812
Repair expenses	**52,260**	32,296
Office expenses	**46,379**	40,177
Taxation	**28,932**	31,397
Outsourcing	**27,881**	41,570
Charges for disposing pollutants	**13,719**	14,883
Traveling expenses	**12,768**	9,208
Entertainment expenses	**11,467**	8,780
Inspection fees	**8,124**	6,515
Donation	**1,057**	1,248
Other expenses	**105,133**	110,344
Total cost of sales, selling and distribution costs and administrative expenses	**7,140,804**	5,422,413

6. OTHER INCOME AND GAINS

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Other income		
Government incentives	**291,691**	314,832
Bank interest income	**118,931**	72,375
Interest income from entrusted loans	**171**	4,812
Rental income	**10,433**	8,488
	421,226	400,507
Gains		
Exchange gains, net	**21,317**	—
	442,543	400,507

7. OTHER EXPENSES

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**4,518**	22,598
Rental cost	**4,967**	4,866
Exchange losses, net	**—**	37,893
	9,485	65,357

8. FINANCE COSTS

	Unaudited For the six months ended 30 June 2018 RMB'000	2017 RMB'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**25,592**	25,573
Interest on convertible bonds	**—**	40,948
	25,592	66,521

9. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2018 and 2017 are:

	Unaudited For the six months ended 30 June 2018 RMB'000	2017 RMB'000
Current Hong Kong profits tax	**16,612**	14,223
Current Vietnam profits tax	**3,068**	—
Current Mainland China corporate income tax ("CIT")	**252,575**	283,068
Deferred taxation	**2,453**	(2,523)
	274,708	294,768

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% (for the six months ended 30 June 2017: 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% (for the six months ended 30 June 2017: 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 subsidiaries incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% (for the six months ended 30 June 2017: 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 of the People's Republic of China (the "New CIT Law"), the PRC subsidiaries as determined for the period in accordance with the New CIT Law are subject to a tax rate or 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.

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

(a) Basic

The calculation of earnings per share attributable to ordinary equity holders of the company for the period is based on the consolidated profit attributable to equity holders of the company of approximately RMB2,178,871,000 (for the six months ended 30 June 2017: RMB1,798,664,000) and on the weighted average number of 1,503,222,397 (for the six months ended 30 June 2017: 1,412,837,323) ordinary shares in issue.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the period.

11. DIVIDEND

Pursuant to resolution passed by the Board on 27 August 2018, the Board declared an interim dividend of HK$0.85 per share (for the six months ended 30 June 2017: HK$0.70 per share), totaling approximately HK$1,277,739,000 (equivalent to approximately RMB1,077,262,000). This declared dividend is not reflected as a dividend payable in this condensed interim consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2018.

12. CAPITAL EXPENDITURES

	Property, plant and equipment *RMB'000*	Prepaid land lease payments *RMB'000*	Water use right *RMB'000*	Software *RMB'000*
Unaudited				
For the six months ended 30 June 2017				
Opening net book amount at 1 January 2017	7,013,037	923,172	73,638	31,590
Additions	460,613	72,587	—	2,760
Disposals	(23,113)	—	—	—
Depreciation/amortisation	(366,150)	(11,899)	(3,225)	(3,783)
Exchange differences	(65,403)	(5,806)	—	(106)
Closing net book amount at 30 June 2017	7,018,984	978,054	70,413	30,461
Unaudited				
For the six months ended 30 June 2018				
Opening net book amount at 1 January 2018	**7,116,787**	**956,908**	**67,188**	**31,069**
Additions	**750,274**	**—**	**—**	**5,205**
Disposals	**(10,179)**	**—**	**—**	**—**
Depreciation/amortisation	**(410,300)**	**(14,439)**	**(3,225)**	**(2,491)**
Exchange differences	**26,327**	**1,173**	**—**	**3**
Closing net book amount at 30 June 2018	**7,472,909**	**943,642**	**63,963**	**33,786**

13. INVENTORIES

	Unaudited 30 June 2018 ***RMB'000***	Audited 31 December 2017 *RMB'000*
Raw materials	**1,093,308**	994,954
Work in progress	**1,954,713**	1,677,620
Finished goods	**2,148,021**	1,847,674
	5,196,042	4,520,248
Provision	**(55,317)**	(42,759)
	5,140,725	4,477,489

14. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit with credit terms of within six months. Overdue balances are reviewed regularly by senior management. The ageing analysis of trade and bills receivables is as follows:

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Within three months	**2,635,286**	2,709,033
Over three months	**83,771**	105,746
	2,719,057	2,814,779

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Current		
Prepayments and deposits		
– Purchase of raw materials	**145,099**	130,460
– Purchase of items of property, plant and equipment	**280,606**	104,223
– Prepaid rental and deposits	**114,555**	106,432
– Others	**15,922**	13,900
VAT refund receivable and recoverable	**232,930**	256,004
Interest receivable	**78,858**	106,119
Other receivables	**138,634**	92,648
	1,006,604	809,786
Non-Current		
Long-term prepayments*	**44,505**	44,291

The carrying amounts of the prepayments, deposits and other receivables approximate to their fair values.

* Long-term prepayments represent the payment for land use right.

16. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Within six months	**986,669**	847,695
six months to one year	**5,520**	7,761
one year to two years	**1,750**	7,630
over two years	**13,349**	10,020
	1,007,288	873,106

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

17. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Accrued expenses	**377,379**	626,742
Payable for Water Use Right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**18,374**	18,954
Payables and guarantee deposits related to construction projects	**45,547**	52,371
Rental deposits	**15,182**	10,640
Other taxes payable	**37,728**	100,732
Others	**48,400**	59,210
	618,610	944,649

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

18. COMMITMENTS

Capital commitments

	Unaudited 30 June 2018	Audited 31 December 2017
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**367,001**	577,922
Acquisition of land use right	**106,455**	105,130
	473,456	683,052

19. CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (at 31 December 2017: Nil).

20. RELATED PARTY TRANSACTIONS

(a) Continuing transactions with related parties

The Group had the following continuing significant transactions with its related parties, including directors and their associates and companies controlled by the controlling shareholder, for the six months ended 30 June 2018 and 2017:

	Unaudited For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Lease of apparel production properties from Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties")*	**4,812**	4,812
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**19,376**	24,510
Printing service provided by Ningbo Avery Dennison Shenzhou Knitting and Printing Co., Ltd ("Ningbo Avery")***	**52,307**	36,268
Sales and marketing services and general support services provided to Ningbo Avery***	**2,626**	1,879

* Shenzhou Properties is controlled by one of the Company's executive directors.

** Huaxi Packaging Company is controlled by the relatives of one of the Company's executive directors.

*** Ningbo Avery is an associate of the Group and is considered to be a related party of the Group. This transaction does not constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The purchases and lease from the related parties were made according to the published prices and conditions offered by the related companies to their major customers.

(b) Outstanding balances with related parties

The Group had the following balances with its related parties:

	Unaudited 30 June 2018 *RMB'000*	Audited 31 December 2017 *RMB'000*
Amounts due from related parties		
— Trade related		
Shenzhou Properties	**444**	444
Ningbo Avery	**1,858**	162
	2,302	606
Amounts due to a related party		
— Trade related		
Huaxi Packaging Company	**3,282**	—

(c) Key management compensation

	Unaudited For the six months ended 30 June	
	2018 *RMB'000*	2017 *RMB'000*
Salaries and other short-term employee benefits	**12,151**	12,087
Post-employment benefits	**70**	69
	12,221	12,156

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 and its notes ("financial statement") contained in this interim announcement.

BUSINESS REVIEW

According to statistical data from the China Customs, the total export value of Chinese textile and garment products (including textile yarns, fabrics and finished products as well as garments and apparel accessories, referred the same as below) from January to June 2018 was approximately US$127.52 billion, representing a growth of approximately 3.2% over the same period last year. Out of the total export value, the export value of textile products amounted to approximately US$58.33 billion, representing a growth of approximately 10.3% over the same period last year; the garment export value amounted to approximately US$69.19 billion, representing a decrease of approximately 2.0% over the same period last year. Demand from international market has seen a trend of steady increase. However, constrained by the effect of a relatively high labour cost, the export competitiveness of clothing products in mainland China slightly decreased. Benefiting from the good technical base and industry support, export growth rate of textile products increased by approximately 7 percentage points over the same period last year. As for the domestic apparels consumption market's aspect according to data from the National Bureau of Statistics, the amount of retail sales of products manufactured by enterprises above designated size from January to June 2018, total retail sales of apparels, footwear and headwear, and knitted products was approximately RMB665.1 billion (of which total retail sales of apparels was approximately RMB479.2 billion), representing a year-on-year growth of approximately 9.2% (year-on-year growth of apparels was approximately 10.1%). The amount of sales of national online retail products in the wearing segment has seen a year-on-year increase of approximately 24.1%, representing a year-on-year increase of approximately 3.3 percentage points over the same period last year. The consumption demand from domestic market continued to maintain a rapid growth.

Vietnam, being the world's third largest apparel export country, maintained a higher growth rate in exports. According to statistical data from the Vietnam Customs, from January to June 2018, the export value of Vietnam's textiles and apparels was approximately US$13.64 billion, representing a growth of approximately 15.7% over the same period last year. For January to June 2018, Vietnam's import value of fabrics from foreign countries was approximately US$6.27 billion, representing a growth of approximately 14.2% over the same period last year; Vietnam's export value of yarns was approximately US$1.99 billion, representing a growth of approximately 19.1% over the same period last year. Fabrics required for apparel production in Vietnam were mainly imported from China, whereas yarns were mainly exported to China enterprises, creating a good complementary relationship between textiles and apparels industry chain of China and Vietnam, thereby facilitating synergistic development in the industry.

During the period, demand from domestic market increased steadily while demand from international market remained relatively steady. Energy cost and environmental protection cost of the industry further increased, and the rising trend of labour cost also remained unchanged. Price of yarns, being our primary raw material, increased slightly; the exchange rate of RMB against USD dropped after appreciation. Although the PRC government has lowered the VAT tax rate of production enterprises by 1 percentage point, the actual tax burden of export enterprises was not alleviated accordingly.

From January to June 2018, the sales revenue and operating results of the Group had once again hit a record high for the same period, with sales revenue and gross profit grew by approximately 10.8% and approximately 13.0% respectively over the same period in 2017, and net profit after tax increased by approximately 21.1% over the same period last year, realising earnings per share of RMB1.45. During the period under review, the expansion of productivity of overseas bases ensured a steady growth of the Group's business. A renewal of assembly lines for domestic fabric plants was conducted, which effectively reduced resource consumption level. The Group's productivity continued to grow, which alleviated the operational pressure from the rising cost.

During the period, the productivity of the Group's overseas production bases further enhanced, which better satisfied the growth in demand of the Group's orders from major customers. Furthermore, the expansion in production scale has resulted in a further reduction in amortization of fixed expense of our unit products and higher level of utilization of each production elemental resource. The integrated production model of overseas plants is tending to more mature, in that procurement cost for our customers can be saved while product delivery period can be shortened, in particular, under the current general environment where trade protectionism returns again, the multinational layout of our production bases has effectively reduced procurement risks for our customers.

During the period, the Group continued to carry forward the upgrade and reformation of the equipment in the fabric factories in the PRC. In order to avoid the normal production tasks of the Group being affected, the reformation engineering was conducted by stages and in order as scheduled. Although the upgrade and reformation engineering have not been fully completed, the results of the projects were primarily realized. The unit consumption of those resources like water and electricity in the fabric factories in the PRC was seen a significant decline, and the level of impacts to the environment caused by the production of enterprises has also been improved. The improvement in terms of automatization and informatization for new equipment has enabled the Group to achieve the target of staff-reduction and performance-improvement. During the period, the reformation engineering of the boiler in the fabric factories in the PRC has fully completed. The basic fuel has been replaced with natural gas from the original biomass-particles, which eliminated the discharge of dust particles, as well as significantly reduced the discharge of waste gases. Despite operating costs of enterprises increasing, it entails a more profound meaning in terms of the development of sustainability for enterprises. The overall reduction in terms of emission level of resource consumption and pollutant discharge has provided certain room for the expansion of production capacities for fabric factories in the PRC from now on.

During the period, the productivity of the Group has been further enhanced, especially the enhancement in the efficiency of the intensive manufacturing processes of apparels, which effectively alleviated the operation pressure from the rising labor costs. Through the utilizing automatic equipment and the deepening of lean production and management, the total number of staff in our base in the PRC decreased from that of same period last year, but it showed an increase of production volume for the same period. In Vietnam, the apparel factories and the number of staff have almost reached the expected scale, with a significant increase of the productivity among staff compared to that of same period last year. During the period, the Group's total staff cost as a proportion of the income decreased by approximately 2 percentage points as compared to that of same period last year. To cope with the uncertainty among international trade environment, and to consolidate the advantages in terms of resources among the different countries, the Group will continue to expand the scale of production capacities of overseas bases, on the basis of further consolidating the existing management foundation.

OPERATION PERFORMANCE OF THE GROUP

Revenue

The revenue of the Group increased by approximately RMB896,315,000 to approximately RMB9,159,900,000 for the six months ended 30 June 2018 from approximately RMB8,263,585,000 for the six months ended 30 June 2017, with a growth rate of approximately 10.8%. During the period, the sales revenue of the Group achieved ideal growth, mainly attributable to: 1) the demand from our major customers achieved ideal growth; 2) the production capacities of the overseas production bases of the Group were further expanded; and 3) the productivity for each department of the Group maintained effective increase during the period. However, the appreciation of exchange rate of RMB against USD for most months during the period reduced the increasing level of the income.

The comparison of revenue of the Group analyzed as per product category for the six months ended 30 June 2018 and the six months ended 30 June 2017 is as below:

	For the six months ended 30 June					
	2018		2017		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sportswear	**6,215,593**	**67.9**	5,518,787	66.8	696,806	12.6
Casual wear	**2,164,359**	**23.6**	2,061,078	24.9	103,281	5.0
Lingerie	**714,412**	**7.8**	620,510	7.5	93,902	15.1
Other knitwear	**65,536**	**0.7**	63,210	0.8	2,326	3.7
Total revenue	**9,159,900**	**100.0**	8,263,585	100.0	896,315	10.8

For the six months ended 30 June 2018, revenue from sales of sportswear products was approximately RMB6,215,593,000, which was increased by RMB696,806,000 from approximately RMB5,518,787,000 for the six months ended 30 June 2017 with a growth rate of approximately 12.6%. The increase in revenue from sales of sportswear products was mainly attributable to the increase of the demands for apparel of international brands in the US market and mainland China market.

For the six months ended 30 June 2018, revenue from sales of casual wear products was approximately RMB2,164,359,000, which was increased by approximately RMB103,281,000 from approximately RMB2,061,078,000 for the six months ended 30 June 2017 with a growth rate of approximately 5.0%. Such increase was mainly attributable to the increase of the procurement demands for casual wear in mainland China market.

For the six months ended 30 June 2018, revenue from sales of lingerie products was approximately RMB714,412,000, which was increased by approximately RMB93,902,000 from approximately RMB620,510,000 for the six months ended 30 June 2017 with a growth rate of approximately 15.1%. Such increase was mainly attributable to the increase of the procurement demands for lingerie wear in both mainland China and Japanese markets.

The comparison of revenue of the Group analyzed as per market segmentation for the six months ended 30 June 2018 and the six months ended 30 June 2017 is as below:

	For the six months ended 30 June					
	2018		2017		**Changes**	
	RMB'000	***%***	*RMB'000*	*%*	***RMB'000***	***%***
By market regions						
International sales						
Europe	**1,851,673**	**20.2**	1,930,968	23.4	(79,295)	(4.1)
Japan	**1,428,645**	**15.6**	1,496,797	18.1	(68,152)	(4.6)
US	**1,284,561**	**14.0**	1,025,146	12.4	259,415	25.3
Others	**1,977,403**	**21.6**	1,833,661	22.2	143,742	7.8
Sub-total for international sales	**6,542,282**	**71.4**	6,286,572	76.1	255,710	4.1
Domestic sales	**2,617,618**	**28.6**	1,977,013	23.9	640,605	32.4
Total revenue	**9,159,900**	**100.0**	8,263,585	100.0	896,315	10.8

For the six months ended 30 June 2018, the revenue of the Group in the European market was approximately RMB1,851,673,000, representing a decrease of approximately RMB79,295,000 from approximately RMB1,930,968,000 for the six months ended 30 June 2017, with a decrease rate of approximately 4.1%. During the period, the decrease of the revenue in European market was mainly attributable to the decline in the procurement demand of sportswear in European market.

For the six months ended 30 June 2018, the revenue of the Group in the Japanese market was approximately RMB1,428,645,000, representing a decrease of approximately RMB68,152,000 from approximately RMB1,496,797,000 for the six months ended 30 June 2017, with a decrease rate of approximately 4.6%. During the period, the decrease of revenue in the Japanese markets was mainly attributable to the decrease in the orders of casual wear undertaken by the Group in the Japanese market.

For the six months ended 30 June 2018, the revenue of the Group in the US market was approximately RMB1,284,561,000, representing an increase of approximately RMB259,415,000 from approximately RMB1,025,146,000 for the six months ended 30 June 2017, with an increase rate of approximately 25.3%. The significant increase of sales of the Group in US market was mainly attributable to ideal growth in the demands of orders for sportswear products in the US market according to the recovery of economy.

The revenue from other markets including the Republic of Korea, Taiwan, and Hong Kong continued to remain steady growth. For the six months ended 30 June 2018, the revenue of other markets showed a growth of approximately 7.8% from that of the six months ended 30 June 2017.

For the six months ended 30 June 2018, the revenue of the Group from domestic market increase by approximately 32.4% as compared with the same period last year. Among domestic revenue, revenue of the apparels was approximately RMB2,532,741,000, which significantly increased by RMB612,414,000 from approximately RMB1,920,327,000 for the same period last year, with a growth rate of approximately 31.9%. During the period, domestic market has become the single largest market with the fastest growth within the Group. Benefiting from the continuous increasing of consumption power of domestic residents, the demand in domestic orders from most customers of the Group has shown a significant increase.

Cost of sales and gross profit

The cost of sales of the Group for the six months ended 30 June 2018 amounted to approximately RMB6,203,037,000 (for the six months ended 30 June 2017: approximately RMB5,647,242,000). The gross profit margin of sales of the Group for the six months ended 30 June 2018 was approximately 32.3%, representing a slight increase of approximately 0.6 percentage points than that of approximately 31.7% for the six months ended 30 June 2017. The factors influencing the gross profit margin during the period were mainly attributed to: 1) the increase of the scale of production capacity in the overseas production bases of the Group, which reduced the share of fixed costs of the unit product; 2) the continuous effective improvement of productivity of the Group during the period; and 3) those positive factors were offset by the appreciation of exchange rate of RMB against USD during the period.

Equity attributable to equity holders of the Company

As at 30 June 2018, the Group's equity attributable to equity holders of the Company amounted to approximately RMB20,907,234,000 (31 December 2017: approximately RMB19,621,181,000), in which non-current assets was approximately RMB9,131,326,000 (31 December 2017: approximately RMB8,886,726,000), net current assets of approximately RMB11,960,053,000 (31 December 2017: approximately RMB10,941,124,000), non-current liability of approximately RMB5,757,000 (31 December 2017: approximately RMB3,197,000) and equity attributable to non-controlling interests of approximately RMB178,388,000 (31 December 2017: approximately RMB203,472,000). The change of equity attributable to equity holders of the Company was mainly attributable to: 1) the increase of operating profitability of the Group; and 2) the decrease of reserves resulting from the payment of final dividend of 2017 to the equity holders of the Company during the period.

Liquidity and financial resources

For the six months ended 30 June 2018, net cash generated from the Group's operating activities amounted to approximately RMB1,671,542,000 (for the six months ended 30 June 2017: approximately RMB1,501,957,000). Cash and cash equivalents of the Group as at 30 June 2018 was approximately RMB1,643,650,000, of which approximately RMB383,602,000 was denominated in RMB, approximately RMB1,231,692,000 was denominated in USD, approximately RMB10,304,000 was denominated in Hong Kong dollar, approximately RMB8,495,000 was denominated in Vietnamese dong, approximately RMB7,044,000 was denominated in Euro, and the remaining balance was denominated in other currencies (31 December 2017: approximately RMB2,471,401,000, of 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 Hong Kong dollar, approximately RMB4,451,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies). The balance of bank borrowings was approximately RMB2,206,079,000 (31 December 2017: approximately RMB2,130,409,000), all of which were short-term bank borrowings. As at 30 June 2018, the Group's net borrowings (bank borrowings less cash and cash equivalents) was approximately RMB562,429,000 (31 December 2017: net cash (cash and cash equivalents less bank borrowings) amounted to approximately RMB340,992,000). Net borrowings increased by approximately RMB903,421,000, which was mainly attributable to the increase in cash used in investing activities of the Group including applying certain idle cash in purchasing financial product of the bank for investments.

Equity attributable to the equity holders of the Company amounted to approximately RMB20,907,234,000 (31 December 2017: approximately RMB19,621,181,000). The Group was in a good cash flow position, with a debt to equity ratio (calculated based on the percentage of total outstanding borrowings over equity attributable to the equity holders of the Company) of approximately 10.6% (31 December 2017: approximately 10.9%).

As part of the Group's overall treasury management policy, the Group purchased financial products (including financial assets at fair value through profit or loss, entrusted loans, pledged deposits and structural deposits) from certain 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 purchase of these financial products are all below 5%, thus these purchases are not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules. The purchases of these financial products has been approved by the investment and lending committee established by the Board to monitor the execution of the Group's treasury management policy.

Finance costs and tax

For the six months ended 30 June 2018, finance costs decreased from approximately RMB66,521,000 (including: finance costs of convertible bonds of approximately RMB40,948,000) for the six months ended 30 June 2017 to approximately RMB25,592,000. The finance costs deceased significantly mainly due to the fact that finance costs for the same period last year included accrued interests on convertible bonds which have been converted into ordinary share of the Company during 2017.

For the six months ended 30 June 2018, income tax expense of the Group dropped from approximately RMB294,768,000 for the six months ended 30 June 2017 to approximately RMB274,708,000. The overall tax liabilities of the Group decreased, which was mainly due to the fact that the Group's subsidiary in Vietnam recorded increase in profit for the period and enjoyed preferential income tax policies, RMB appreciated against USD during the period, and the effect to production capacity arising from renewal and reconstruction of equipments of fabric plants in the mainland China, which lowered the earnings level of our PRC subsidiaries.

Pledge of the Group's assets

As at 30 June 2018, a forward exchange contract has been entered into with the relevant bank for bank balance amounting to approximately US$78,114,000 (approximately RMB500,000,000), while such bank balance is pledged to the relevant bank as deposit at the same time, and the total settlement amount in RMB at maturity will be approximately RMB507,218,000. Such pledged deposits accrue interest at a maximum fixed annual rate of 3.06%, and will mature within one year from the date of the agreement.

As at 30 June 2018, certain fixed deposits of the Group amounting to RMB500,000,000 (31 December 2017: RMB500,000,000) have been pledged to secure the bank loans granted to the Group. The term of fixed deposits was more than one year, with a fixed annual interest rate of 3.5%.

Exposure to foreign exchange

As the Group's sales were mainly settled in USD, while its procurements 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 responding policies in light of the existing fluctuations of exchange rate between USD and RMB to hedge certain risk exposure in respect of foreign exchange. The amounts applied for hedging depend on the Group's expected revenue, procurement and capital expenditure in USD, as well as considering the market forecast of fluctuations in the exchange rate of USD against RMB in the market.

As at 30 June 2018, a forward exchange contract has been signed with the relevant bank for the bank balance amounting to approximately US$78,114,000 (approximately RMB500,000,000), while such bank balance is pledged to the relevant bank as deposit at the same time, and the total settlement amount in RMB at maturity was approximately RMB507,218,000. Such pledged deposit accrues interest at a maximum fixed annual rate of 3.06%, and will mature within one year from the date of the agreement.

To avoid the reduction in the value of cash flow and the volatility thereof arising from any changes on the exchange rate between RMB and USD in the future, the Group has arranged adequate amount of borrowings denominated in USD and borrowings denominated in Hong Kong dollars which have a linked exchange rate with USD. As at 30 June 2018, of the total amount of bank loans, there were loans of approximately RMB525,739,000 denominated in USD (approximately US$79,458,000 in original currency), loans of approximately RMB1,180,340,000 denominated in Hong Kong dollars

(HK$1,400,000,000 in original currency) (31 December 2017: loans of approximately RMB460,149,000 denominated in USD (approximately US$70,422,000 in original currency) and loans of approximately RMB1,170,260,000 denominated in Hong Kong dollars (HK$1,400,000,000 in original currency)). The expansion of the Group's overseas production bases will further mitigate the impact of the exchange rate fluctuations of RMB against USD on operations.

Employment, training and development

As at 30 June 2018, the Group employed approximately 84,130 employees in total. During the period, the total staff costs, including administrative and management staff, accounted for approximately 28.2% (for the six months ended 30 June 2017: approximately 30.2%) of the Group's sales amount. 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. In addition, the Company also offered staff rewards or other form of incentives to motivate personal growth and career development of the employees, for instance, the Group offered training to its staff continuously to enhance their technical and product knowledge as well as their understanding of quality standards in industry. All of the new employees of the Group are required to attend an introductory course, while there are also various types of training courses available for all employees attending.

Capital expenditure and capital commitments

For the six months ended 30 June 2018, the Group's total investment in property, plant and equipment, prepaid land lease payments and intangible assets amounted to approximately RMB755,479,000, of which approximately 45% was used for the acquisition of production equipment, approximately 30% 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 and software.

As at 30 June 2018, the Group had contracted capital commitments of approximately RMB473,456,000 in connection with the acquisition and construction of properties, plants and equipment, which will be mainly financed by the Group's internal resources.

Significant investments, acquisitions and disposals

The Company had no significant investment, acquisition and disposal during the period.

Gearing ratio

As at 30 June 2018, the Group's gearing ratio was approximately 10.6%, calculated based on the balance of the total outstanding borrowings as a percentage of equity attributable to the equity holders of the Company.

Contingent liabilities

As at 30 June 2018, the Group had no significant contingent liability. (31 December 2017: Nil).

FUTURE PROSPECTS AND STRATEGIES

The prevailing trade dispute between the PRC and the US is likely to escalate, and the implementation of protective policies regarding trades will create adverse impact on global economic growth, as the PRC and the US are the two largest economies in the world. At present, the US is the single market with highest consumption capacity around the world, while the PRC is a market with the biggest growth potential in respect of consumption. The largest provider of clothing consumer goods for the US is the PRC, followed by Vietnam and Bangladesh. Imported clothing from the PRC, Vietnam and Bangladesh in the US accounted for more than 50% in total, while fabrics required for clothing production in Vietnam and Bangladesh are mainly imported from the PRC. Although there is no competition between the PRC and the US in textiles and clothing industry and the clothing products imported from the PRC could hardly be replaced by that from other countries in the short term, the export of clothing products from the PRC to the US may still be affected if the trade dispute escalates.

Faced with an uncertain trade environment, the Group places its first priority on the enhancement of corporate competitiveness in terms of development strategies. The Group promotes its service capacity towards customer and provides clothing products with higher quality to consumers. The Group will attach importance to continuous improvements in several respects such as environment protection, productivity, products innovation and the equipment upgrades, in order to build a solid base for long term development of the corporate. It also focuses on the order demands from customers in the PRC markets, and further expands the scale of production capacity of its overseas bases at the same time, so as to minimize the risks of changes on trade policies in global market.

As the coordination between business development and surrounding environment is the basic social responsibility of a corporate, the Group has continuously increasing its capital investment in the improvement of environment in recent years, and avoided impact on production stability as a results of the government tightening environmental policies. The Group will continue upgrading and improving its existing environmental-friendly equipment, introducing advanced environmental-friendly techniques and reducing the emission of pollutants. It will utilize environmental-friendly raw materials and clean energy, as well as promote the concept of sustainable development in the whole production process such as upgrading equipment, controlling techniques, end-of-pipe treatment, so as to provide environmental-friendly products with high quality to consumers, and minimize adverse impacts created by the production towards its surrounding environment. The Group regards the ability to improve environmental awareness as a vital element of corporate competitiveness.

The rapid trend of aging and changes on the concept of employment result in a continuous rising of labour costs and an increase in the difficulty in hiring, posing challenges to the clothing industry in the long term due to its labour intensive industry characteristics. The Group will create opportunities to lower its requirement on the skill of staff and provide a relative comfortable working environment, as well as conduct continuous training education so as to motivate its staff. The Group will apply more automated equipment and promote its management capacity towards lean production, and realize continuous enhancement of productivity through innovation and improvement participated by all staff.

As the innovation ability is the core competitiveness of a corporate, the Group will focus on the principal business of textile and garment, and continuously improve its innovation mechanism, so as to provide a pleasant working environment for its research and development team to train and introduce excellent talents to the industry. We will share the development trends of the industry with our suppliers and customers and drive the business growth by innovating new products.

The Group strives to enhance its competitiveness in the industry according to its existing development strategies, so as to create more value for our customers, provide products with higher quality to consumers and bring better returns for investors.

EVENTS AFTER REPORTING PERIOD

There were no significant events since 30 June 2018 up to the date of this announcement which would have any material effect to the Group.

DIVIDEND

At the Company's annual general meeting held on 25 May 2018, the shareholders of the Company approved the payment of a final dividend of HK$0.75 (equivalent to approximately RMB0.65) per share for the year ended 31 December 2017 to the shareholders whose names appeared on the register of members of the Company at the close of business on 6 June 2018. The dividend was paid by the Company on 22 June 2018 in cash.

The Board had resolved to declare an interim dividend of HK$0.85 (equivalent to approximately RMB0.72) per share for the six months ended 30 June 2018 (for the six months ended 30 June 2017: HK$0.70 per share) to the shareholders whose names appear on the register of members of the Company at the close of the business on 7 September 2018. The interim dividend is expected to be paid on or before 27 September 2018.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 5 September 2018 to 7 September 2018, both days inclusive, during which period no transfer of the shares of the Company will be effected. To qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 4 September 2018.

CORPORATE GOVERNANCE

On 9 October 2005, the Board adopted its own Code of Corporate Governance, which covers all of the code provisions and most of the recommended best practices of the Code On Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules.

The Company has complied with all the code provisions of the CG Code throughout the six months ended 30 June 2018. There have not been any material changes to the Company's corporate governance practices during the Reporting Period as compared with the information disclosed in the 2017 annual report.

Terms of Reference of Board Committees

The terms of reference for each Board committee and the list of Directors and their roles and functions have been published on the websites of the Company and the Stock Exchange, respectively.

Responsibilities of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills pursuant to the code provision A.6.5 set out in the CG Code. The Company has arranged for continuous professional development on the updates of the Listing Rules and the related legal and regulatory requirements for the Directors.

Corporate Governance Functions

The Company has adopted the terms of reference for corporate governance functions on 26 March 2012 in compliance with the code provision D.3 set out in the CG Code, effective from 1 April 2012. Pursuant to the terms of reference of the corporate governance functions, the Board shall be responsible for developing and reviewing and/or monitoring the policies and practices on corporate governance of the Group; training and continuous professional development of the Directors and senior management and making recommendations; compliance with legal and regulatory requirements; the code of conduct and compliance manual (if any) applicable to employees and the Directors; and the Group's compliance with the CG Code.

Communications with shareholders

Pursuant to the code provision E.1.2 set out in the CG Code, the Company invited representatives of the external auditors of the Company to attend the annual general meeting of the Company held on 25 May 2018 to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

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

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions (the "Securities Trading Code"). A copy of the Securities Trading Code is provided to all Directors on their appointment. Reminders will be issued twice a year, being 30 days prior to the Board meeting approving the Company's interim results and 60 days prior to the Board meeting approving the Company's annual results, reminding the Directors that they are not allowed to deal in the Company's securities prior to the announcement of results (the period during which the Directors are prohibited from dealing in shares) and that all transactions must comply with the Securities Trading Code. Upon specific enquiries on this matter, all Directors have confirmed their strict compliance with the relevant provisions of the Securities Trading Code throughout the six months ended 30 June 2018.

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

CHANGES TO INFORMATION OF DIRECTORS

During the six months ended 30 June 2018, there were no changes to the information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2018.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 30 June 2018.

THE BOARD

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

The interim report of the Company containing all the information required by the Listing Rules will be sent to the shareholders of the Company and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.shenzhouintl.com) in due course.

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules on 9 October 2005. As of the issuance of this announcement, the Audit Committee comprises 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.

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

The terms of reference of the Audit Committee are consistent with the recommendations as set out in "A Guide for Effective Audit Committee" published by the HKICPA and the provisions of the CG Code, and are updated and amended according to the relevant requirements from time to time.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, risk management, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2018.

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, independent non-executive directors. 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. As of the issuance of this announcement, the Nomination Committee comprises Mr. Ma Jianrong, an executive director, Mr. Qiu Weiguo and Mr. Jiang Xianpin, both independent non-executive directors. Mr. Ma Jianrong 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.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 27 August 2018

As at the date of this announcement, the five executive directors of the Company are Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe, Mr. Wang Cunbo and Ms. Chen Zhifen; and the three independent non-executive directors are Mr. Chen Xu, Mr. Jiang Xianpin and Mr. Qiu Weiguo.