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 2018

HIGHLIGHTS

- Sales for the year ended 31 December 2018 amounted to approximately RMB20,950,205,000, representing an increase of 15.8% when compared with the year of 2017.
- For the year ended 31 December 2018, percentage of sports wear products sales to total sales was approximately 68.1%. Sales of Sports wear products increased by 18.5% when compared with the year of 2017.
- For the year ended 31 December 2018, percentage of casual wear products sales to total sales was approximately 24.7%. Sales of Casual wear products increased by 12.3% when compared with the year of 2017.
- For the year ended 31 December 2018, percentage of lingerie wear products sales to total sales was approximately 6.3%. Sales of Lingerie wear products increased by 2.0% when compared with the year of 2017.
- Gross profit margin stood at 31.6% in 2018, representing an increase of 0.2 percentage points from last year. Gross profit for the year ended 31 December 2018 amounted to approximately RMB6,614,024,000, representing an increase of 16.6% when compared with the year of 2017.
- Profit attributable to owners of the parent for the year ended 31 December 2018 amounted to approximately RMB4,540,487,000, an increase of 20.7% when compared with the year of 2017.
- Proposed to declare a final dividend of HK$0.90 per ordinary share together with interim dividend declared of HK$0.85 per ordinary share, the total dividend proposed to be declared for the year 2018 was HK$1.75 per ordinary share, representing an increase of 20.7% when compared with HK$1.45 per ordinary share of 2017.

* *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 2018, together with the comparative amounts for the corresponding year of 2017 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	4	**20,950,205**	18,085,247
Cost of sales		**(14,336,181)**	(12,413,947)
Gross profit		**6,614,024**	5,671,300
Other income and gains	4	**709,239**	571,554
Selling and distribution expenses		**(708,485)**	(469,833)
Administrative expenses		**(1,449,696)**	(1,231,175)
Other expenses		**(18,808)**	(134,277)
Finance costs	5	**(61,049)**	(123,016)
Share of profit of an associate		**5,121**	3,678
PROFIT BEFORE TAX	6	**5,090,346**	4,288,231
Income tax expense	7	**(597,803)**	(528,280)
PROFIT FOR THE YEAR		**4,492,543**	3,759,951
Attributable to:			
Owners of the parent		**4,540,487**	3,762,721
Non-controlling interests		**(47,944)**	(2,770)
		4,492,543	3,759,951
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
– For profit for the year		**RMB3.02**	RMB2.58
Diluted			
– For profit for the year		**RMB3.02**	RMB2.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**4,492,543**	3,759,951
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**194,574**	(130,313)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**194,574**	(130,313)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**194,574**	(130,313)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,687,117**	3,629,638
ATTRIBUTABLE TO:		
Owners of the parent	**4,735,048**	3,642,824
Non-controlling interests	**(47,931)**	(13,186)
	4,687,117	3,629,638

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**8,002,724**	7,116,787
Prepaid land lease payments		**1,200,501**	956,908
Intangible assets		**99,674**	98,257
Long-term time deposits at banks	*14*	**–**	150,000
Long-term prepayments		**82,667**	44,291
Investment in an associate		**12,365**	10,851
Deferred tax assets		**13,696**	9,632
Pledged deposits	*14*	**–**	500,000
Total non-current assets		**9,411,627**	8,886,726
CURRENT ASSETS			
Inventories		**5,237,432**	4,477,489
Trade and bills receivables	*10*	**3,564,821**	2,814,779
Prepayments and other receivables		**659,955**	809,786
Amounts due from related parties		**2,625**	606
Financial assets at fair value through profit or loss/available-for-sale investments	*12*	**–**	2,976,900
Other financial assets	*13*	**1,480,000**	–
Structured deposits	*15*	**–**	1,050,000
Pledged deposits	*14*	**500,000**	–
Bank deposits with an initial term of over three months	*14*	**3,129,678**	605,518
Cash and cash equivalents	*14*	**3,565,916**	2,471,401
Total current assets		**18,140,427**	15,206,479
CURRENT LIABILITIES			
Trade payables	*11*	**812,687**	873,106
Contract liabilities		**24,161**	–
Advances from customers		**–**	26,225
Other payables and accruals		**1,181,676**	944,649
Amount due to a related party		**1,882**	–
Interest-bearing bank borrowings		**2,434,391**	2,130,409
Tax payable		**464,829**	290,966
Total current liabilities		**4,919,626**	4,265,355

	2018	2017
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**13,220,801**	10,941,124
TOTAL ASSETS LESS CURRENT LIABILITIES	**22,632,428**	19,827,850
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**82,358**	–
Deferred tax liabilities	**95,791**	3,197
Total non-current liabilities	**178,149**	3,197
NET ASSETS	**22,454,279**	19,824,653
EQUITY		
Equity attributable to owners of the parent		
Share capital	**151,200**	151,200
Reserves	**22,147,538**	19,469,981
	22,298,738	19,621,181
Non-controlling interests	**155,541**	203,472
Total equity	**22,454,279**	19,824,653

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 the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year'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

Except for Amendments to HKFRS 2, Amendments to HKFRS 4, Amendments to HKAS 40 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Based on the assessment by the Group, there was no significant cumulative effect of the initial application of HKFRS 9 at 1 January 2018 in accordance with the transition requirement. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

	Note	HKAS 39 measurement Category	Amount	Re-classification	ECL	HKFRS 9 measurement Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Available-for-sale investments		AFS[1]	2,976,900	(2,976,900)	–	–	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(2,976,900)	–	–	
Financial assets at fair value through profit or loss		N/A	–	2,976,900	–	2,976,900	FVPL[2]
From: Available-for-sale investments	*(i)*			2,976,900	–	–	
Trade and bills receivables		L&R[3]	2,814,779	–	–	2,814,779	AC[4]
Financial assets included in prepayments and other receivables		L&R	198,767	–	–	198,767	AC
Amounts due from related parties		L&R	606	–	–	606	AC
Pledged deposits		L&R	500,000	–	–	500,000	AC
Structured deposits		L&R	1,050,000	–	–	1,050,000	AC
Bank deposits with an initial term of over three months		L&R	605,518	–	–	605,518	AC
Long-term time deposits at banks		L&R	150,000	–	–	150,000	AC
Cash and cash equivalents		L&R	2,471,401	–	–	2,471,401	AC
Total assets			10,767,971	–	–	10,767,971	
Financial liabilities							
Trade payables		AC	873,106	–	–	873,106	AC
Financial liabilities included in other payables and accruals		AC	317,907	–	–	317,907	AC
Interest-bearing bank borrowings		AC	2,130,409	–	–	2,130,409	AC
Total liabilities			3,321,422	–	–	3,321,422	

1 *AFS: Available-for-sale investments*

2 *FVPL: Financial assets at fair value through profit or loss*

3 *L&R: Loans and receivables*

4 *AC: Financial assets or financial liabilities at amortised cost*

Note:

(i) The Group has classified its financial products previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these financial products did not pass the contractual cash flow characteristics test in HKFRS 9.

Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" ("**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39. The Group applies the new ECL model to all financial assets measured at amortised cost.

The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of ECL on its financial assets in accordance with the requirements of HKFRS 9. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group. No additional credit loss allowance has been recognised against accumulated profits as the amounts involved were insignificant as at 1 January 2018.

Impact on reserves and retained profits

The transition to HKFRS 9 has had no impact on reserves and retained profits as at 1 January 2018.

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes 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 disclosures are included in note 4 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advances from customers. Under HKFRS 15, the amount is classified as contract liabilities.

Therefore, upon adoption of HKFRS 15, the Group reclassified RMB26,225,000 from advances from customers to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

As at 31 December 2018, under HKFRS 15, RMB24,161,000 was classified as contract liabilities in relation to the consideration received from customers in advance for the sale of products.

Except for those described above, the adoption of HKFRS 15 does not have any material impact on the Group's consolidated financial statements.

(c) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**6,312,412**	4,844,588
European Union	**3,795,982**	4,031,077
United States of America	**3,252,725**	2,337,903
Japan	**3,236,002**	3,129,042
Other regions	**4,353,084**	3,742,637
	20,950,205	18,085,247

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

(b) Non-current assets

	2018	2017
	RMB'000	*RMB'000*
Mainland China	**5,087,674**	5,005,773
Vietnam	**3,883,814**	3,066,377
Cambodia	**261,167**	138,291
Other regions	**152,911**	5,802
	9,385,566	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, 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:

	2018	2017
	RMB'000	*RMB'000*
Customer A	**6,258,783**	5,256,058
Customer B	**3,989,895**	3,609,402
Customer C	**3,869,983**	3,697,096
Customer D	**2,118,771**	1,722,345

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2017
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods – at a point in time	**20,950,205**	18,085,247

Revenue from contracts with customers

(i) The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018
	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sales of goods	**22,415**

(ii) Performance obligations

The Group's performance obligation is satisfied upon delivery or pick-up of the knitwear products and payment is generally due within 30 to 180 days from delivery.

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants	**335,572**	341,436
Bank interest income	**209,195**	180,961
Other interest income from entrusted loans	**15,253**	5,590
Other interest income from FVPL/ available-for-sale investments	**55,500**	24,885
Other interest income from other financial assets	**14,763**	–
Rental income	**17,378**	18,682
	647,661	571,554
Gains		
Exchange gains, net	**61,578**	–
	709,239	571,554

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	RMB'000	*RMB'000*
Interest on convertible bonds	**–**	42,074
Interest on bank borrowings	**61,049**	80,942
	61,049	123,016

6. PROFIT BEFORE TAX

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

	2018 *RMB'000*	2017 *RMB'000*
Cost of inventories sold	**14,323,652**	12,388,106
Depreciation of items of property, plant and equipment	**838,683**	751,125
Amortisation of prepaid land lease payments	**30,870**	24,447
Amortisation of intangible assets	**11,678**	8,119
Minimum lease payments under operating leases	**171,228**	150,364
Auditor's remuneration	**2,988**	2,983
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**4,842,575**	4,385,206
Pension scheme contributions	**435,922**	382,511
Other benefits	**171,699**	148,774
	5,450,196	4,916,491
Foreign exchange differences, net*	**(61,578)**	98,041
Write-down of inventories to net realisable value	**79,816**	26,659
Bank interest income	**(209,195)**	(180,961)
Other interest income from entrusted loans	**(15,253)**	(5,590)
Other interest income from FVPL/available-for-sale investments	**(55,500)**	(24,885)
Other interest income from other financial assets	**(14,763)**	–
Loss on disposal of items of property, plant and equipment	**8,880**	26,350

* *The net foreign exchange differences for the years ended 31 December 2018 and 31 December 2017 are included in "Other income and gains" and "Other expenses", respectively, 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 2018 and 2017 are:

	2018	2017
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**34,247**	45,883
Current overseas withholding tax	**5,105**	–
Current Mainland China corporate income tax ("**CIT**")	**469,921**	487,036
Deferred taxation	**88,530**	(4,639)
	597,803	528,280

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 provision for Hong Kong profits tax for 2018 is calculated at 8.25% (2017: 16.5%) of the first HK$2,000,000 and 16.5% (2017: 16.5%) of the remaining estimated assessable profits for the year.

The subsidiaries incorporated in the BVI are not subject to income tax as these subsidiaries do not have a place of business (but only a registered office) or carry on any business in the BVI.

The subsidiaries incorporated in the Kingdom of Cambodia, are subject to income tax at a rate of 20% (2017: 20%). Under the laws and regulations of Cambodia, 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. No provision for Cambodia income tax has been made as the subsidiaries either had no assessable profits arising in Cambodia or was entitled to an exemption from income tax during the year.

The subsidiary incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% (2017: 30%) of the assessable profits arising in Japan. No provision for income tax has been made as the subsidiary had no assessable profits arising in Japan during the year.

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 a 50% reduction for the nine years thereafter. No provision for Vietnam income tax has been made as the two subsidiaries were entitled to an exemption from income tax for the year.

No provision for Macao Complementary Tax has been made during the year, as 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. A 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 2018 and 2017 is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit before tax	**5,090,346**	4,288,231
Tax at the statutory tax rate of 25% (2017: 25%)	**1,272,587**	1,072,058
Lower tax rates for specific jurisdictions or enacted by local authorities	**(698,618)**	(531,354)
Adjustments in respect of current tax of previous periods	**(13,975)**	(5,516)
Profits attributable to an associate	**(1,280)**	(920)
Income not subject to tax	**(387)**	(2,583)
Expenses not deductible for tax	**2,257**	17,050
Overseas withholding tax	**5,105**	–
Tax losses not recognised during the year	**33,191**	14,026
Utilisation of previously unrecognised tax losses	**(1,077)**	(34,481)
	597,803	528,280

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Interim – HK$0.85 (2017: HK$0.70) per ordinary share	**1,115,083**	888,540
Proposed final – HK$0.90 (2017: HK$0.75) per ordinary share	**1,185,411**	942,408
	2,300,494	1,830,948

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 PARENT

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 1,503,222,397 (2017: 1,456,223,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the year ended 31 December 2018.

For the year of 2017, 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

	2018	2017
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**4,540,487**	3,762,721
Interest on convertible bonds	**–**	42,074
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**4,540,487**	3,804,795

Shares

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,503,222,397**	1,456,223,000
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds	**–**	46,999,397
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**1,503,222,397**	1,503,222,397

Earnings per share

	2018	2017
	RMB	*RMB*
Basic	**3.02**	2.58
Diluted	**3.02**	2.53

10. TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade and bills receivables	**3,564,821**	2,814,779

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 Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

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

	2018	2017
	RMB'000	*RMB'000*
Within three months	**3,339,865**	2,709,033
Over three months	**224,956**	105,746
	3,564,821	2,814,779

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

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**3,547,595**	2,801,177
Less than three months past due	**8,544**	6,747
Over three months past due	**8,682**	6,855
	3,564,821	2,814,779

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 related to a number of independent customers that had a good track record with the Group. Based on past experience and forward-looking information, the directors of the Company were of the opinion that no provision for expected credit losses was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

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

	2018		2017	
	Original currency	**RMB equivalent**	Original currency	RMB equivalent
	in thousand	***RMB'000***	*in thousand*	*RMB'000*
US$	**342,505**	**2,350,679**	255,432	1,669,042
RMB		**1,214,142**		1,145,737
		3,564,821		2,814,779

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, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within six months	**789,836**	847,695
Six months to one year	**6,647**	7,761
One year to two years	**5,891**	7,630
Over two years	**10,313**	10,020
	812,687	873,106

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

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	RMB'000	*RMB'000*
Financial products issued by financial institutions	**–**	2,976,900

The above financial products have terms of less than one year and have expected annual rates of return up to 5.5%. 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**"). On 1 January 2018, upon adoption of HKFRS 9, they were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest.

13. OTHER FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Financial products issued by financial institutions	**1,480,000**	–

As at 31 December 2018, certain of the financial products issued by financial institutions with a carrying amount of RMB1,480,000,000 (2017: Nil) were stated at amortised cost. The applicable size test results in respect of the purchases of these financial products are all below 5% and thus, these purchases are not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules. The financial products have terms of less than one year and have fixed annual rates of return up to 4.3% (2017: Nil). Pursuant to the underlying contracts or notices, these financial products are capital and return guaranteed.

14. CASH AND BANK BALANCES AND TIME DEPOSITS

	2018	2017
	RMB'000	*RMB'000*
Cash and bank balances	**2,815,916**	2,079,349
Time deposits	**4,379,678**	1,647,570
	7,195,594	3,726,919
Less: Pledged deposits	**(500,000)**	(500,000)
Bank deposits with an initial term of over three months	**(3,129,678)**	(605,518)
Long-term time deposits at banks	**–**	(150,000)
Cash and cash equivalents	**3,565,916**	2,471,401

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB753,020,000 (31 December 2017: RMB352,935,000). 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 2018, certain of the Group's time deposits with an amount of RMB500,000,000 (31 December 2017: RMB500,000,000) were pledged to secure bank loans granted to the Group. The time deposits have initial terms of more than one year and have fixed annual rates of return at 3.5%. As at 31 December 2018, these deposits will mature within one year.

15. STRUCTURED DEPOSITS

	2018	2017
	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

Within the year, the raw material price and staff cost continued to increase in the textile and apparel industry, and the exchange rate of RMB to USD further fluctuated. Although the business operating pressure has not improved, the business of the Group continued to maintain exciting growth, with sales revenue and operating results hit a record high once again. The sales revenue and profit attributable to owners of the parent in 2018 increased by 15.8% and 20.7% respectively when compared with the year of 2017, realising earnings per share of RMB3.02. In reviewing the operation of the Group within the year, the contribution of production capability of overseas bases has increased significantly, the level in automation in production has been further raised. The resources consumption level has been lowered effectively, and the market distribution in sales was more reasonable.

Within the year, production capability of overseas bases of the Group has further increased, effectively lowering the pressure of insufficient production capability resulting from the increase in customer order. The management team of the overseas factories of the Group has established a better talent reserve, the business operation capability has matured, and the business collaboration between headquarters and overseas factories has become smoother. Although the current production capability of fabrics factory in Vietnam has reached the expected scale for its establishment, in consideration of the current good foundation of the overseas bases, the Group would continue to expand the fabric production capability in Vietnam. In addition, the Group has built a new garment factory near the fabric factory in Vietnam, and it is expected to employ workers and start production by batch in the second quarter of 2019. During the year, the Group entered into a permanent lease contract for a renewable term of 50 years, the land parcel of which is located in Phnom Penh city, Cambodia, and the main construction for a Cambodia downstream garment factory would start in the first half of 2019. It is expected that the new garment factory in Cambodia will commence production in mid-2020. The reasonable layout of the overseas production base has enabled the Group to better cope with uncertain effects under the changes in global trade environment and to integrate the industrial resources advantage in different countries.

To cope with the operating pressure from recruitment difficulties and increasing labour cost, the Group focused more on automatic equipment application to replace human operation. During the year, the staff salary level continued to increase rapidly, but the expenditure on staff as a proportion of the total cost decreased. To adapt to the production automation arrangement, the Group continued to improve production processes, and communicate and interact with customers on product design. This resulted in enhanced production efficiency, shortened delivery period and more stable product quality. In addition, the Group and the equipment manufacturers cooperated closely, using demand for innovation to guide the manufacturers to produce customized equipment. The Group would continue to increase the production automation level, especially when considering automation in advance during the layout planning of constructing new factory.

During the year, the upgrade and transformation work of the production facility in the domestic fabric base of the Group is largely completed. The resource consumption per product unit decreased significantly, in particular consumption volume was significantly saved in water resources, electricity and steam. Boilers using biomass as basic fuel has been renovated to use natural gas as basic fuel, thus effectively lessened the negative effect to the environment, and enhanced the competitive advantage of the environmental protection aspect of the Group. Meanwhile, the renovation and transformation work has upgraded the level of corporate automation and standardization. The accuracy in production process has been enhanced, and brought advantage to the stability in fabric quality. The resources consumption level and pollutant discharge level have lowered, providing an opportunity for the product capability expansion in the domestic fabric base.

The market distribution in sales for the Group was more reasonable. Mainland China has become the single sales market with rapid growth of the Group. With a huge population base and continuously growing economy, the apparel consumption demand in Mainland China has an optimistic growth prospect. Although the production cost continued to increase, the Group did not plan to reduce the production capacity in Mainland China. The Group would respond to the cost increase pressure with automation and improved efficiency in lean manufacture management. The production capacity in Mainland China would first satisfy the customers from the domestic market demand, then provide management and technical support to overseas factory. The sales ratio in the three big markets of Europe, USA and Japan of the Group were relatively equal. The Group planned to provide production capacity gradually through its overseas production base, so that customers of the Group can enjoy the trade preference policy from different countries.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2018, the revenue had been approximately RMB20,950,205,000, which increased by approximately RMB2,864,958,000 than that of approximately RMB18,085,247,000 for the year ended 31 December 2017, with a growing rate of approximately 15.8%. Major reasons for increase of revenue were: (1) the order demands of customers kept ideal growth; (2) the productivity of the overseas production bases further enhanced; and (3) each production department continues to increase its efficiency.

The comparison of revenue analyzed as per production classification between 2018 and 2017 of the Group is as below:

	For the year ended 31 December					
	2018		2017		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By Products						
Sports wear	**14,275,643**	**68.1**	12,048,896	66.6	2,226,747	18.5
Casual wear	**5,167,355**	**24.7**	4,600,534	25.4	566,821	12.3
Lingerie wear	**1,328,006**	**6.3**	1,302,580	7.2	25,426	2.0
Other knitwear	**179,201**	**0.9**	133,237	0.8	45,964	34.5
Total revenue	**20,950,205**	**100.0**	18,085,247	100.0	2,864,958	15.8

For the year ended 31 December 2018, revenue from sales of sportswear had been approximately RMB14,275,643,000, which increased by approximately RMB2,226,747,000 than that of approximately RMB12,048,896,000 for the year ended 31 December 2017 with a growing rate of 18.5%. The revenue from sales growth of sportswear mainly come from the increasing clothing demands for sports brands in Mainland China market and USA market.

For the year ended 31 December 2018, revenue from sales of casual wear had been approximately RMB5,167,355,000, which increased by approximately RMB566,821,000 than that of approximately RMB4,600,534,000 for the year ended 31 December 2017 with a growing rate of approximately 12.3%. It was mainly attributed to the increasing procurement demands for casual wear in Mainland China market and USA market.

For the year ended 31 December 2018, revenue from sales of lingerie products had been approximately RMB1,328,006,000, which increased by approximately RMB25,426,000 than that of approximately RMB1,302,580,000 for the year ended 31 December 2017 with a growing rate of approximately 2.0%. It was mainly attributed to the increasing procurement demands for lingerie in Japanese market.

The comparison of revenue analyzed as per market segmentation between 2018 and 2017 of the Group is as below:

	For the year ended 31 December					
	2018		2017		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
As per market						
Europe	**3,795,982**	**18.1**	4,031,077	22.3	(235,095)	(5.8)
USA	**3,252,725**	**15.5**	2,337,903	12.9	914,822	39.1
Japan	**3,236,002**	**15.5**	3,129,042	17.3	106,960	3.4
Others	**4,353,084**	**20.8**	3,742,637	20.7	610,447	16.3
Sub-total of international sales	**14,637,793**	**69.9**	13,240,659	73.2	1,397,134	10.6
Domestic sales	**6,312,412**	**30.1**	4,844,588	26.8	1,467,824	30.3
Total revenue	**20,950,205**	**100.0**	18,085,247	100.0	2,864,958	15.8

For the year ended 31 December 2018, revenue of the Group in European market had been approximately RMB3,795,982,000, which decreased by approximately RMB235,095,000 than that of approximately RMB4,031,077,000 for the year ended 31 December 2017 with a declining rate of approximately 5.8%. It was mainly attributed to the decreasing consumption demands for sportswear in European market.

For the year ended 31 December 2018, revenue of the Group in USA market had been approximately RMB3,252,725,000, which increased by approximately RMB914,822,000 than that of approximately RMB2,337,903,000 for the year ended 31 December 2017 with a growing rate of approximately 39.1%. The sharply increase in revenue of the Group in USA market was mainly attributed to economic growth of the United States leading to the increasing consumption demands and the significant increase in orders for sportswear in USA market.

For the year ended 31 December 2018, revenue of the Group in Japanese market had been approximately RMB3,236,002,000, which increased by approximately RMB106,960,000 than that of approximately RMB3,129,042,000 for the year ended 31 December 2017 with a growing rate of approximately 3.4%. It was mainly attributed to the increasing procurement demands for sportswear and lingerie wear in Japanese market.

For the year ended 31 December 2018, revenue of the Group in other overseas markets had been approximately RMB4,353,084,000, which increased by approximately RMB610,447,000 than that of approximately RMB3,742,637,000 for the year ended 31 December 2017 with a growing rate of approximately 16.3%. It was mainly attributed to increasing sports fabric products exported markets in Canada, South Korea and Taiwan.

For the year ended 31 December 2018, the revenue of the Group from domestic market increase by approximately 30.3% as compared with last year. Among domestic revenue, revenue of the apparels was approximately RMB6,101,459,000, which increased by approximately RMB1,408,405,000 from approximately RMB4,693,054,000 for the year ended 31 December 2017, with a growth rate of approximately 30.0%. Domestic market has become the single largest market with the fastest growth within the Group. Benefiting from the continuous increasing of domestic consumption demand, the demand in domestic orders from most customers of the Group has shown a significant increase during the year.

Cost of sales and gross profit

For the year ended 31 December 2018, cost of sales of the Group had been approximately RMB14,336,181,000 (2017: RMB12,413,947,000). The gross profit margin of the Group in 2018 was approximately 31.6%, growing approximately 0.2 percentage points than that of 31.4% in 2017. During the year, factors influencing gross profit margin were mainly attributed to: 1) the increase of the scale of production capacity in the overseas production bases of the Group, which further reduced the amortization of fixed costs of the unit product; 2) the continuous effective improvement of productivity of the Group; and 3) rising of labour costs and price of raw materials offsetting the increase in gross profit margin during the year.

Equity attributable to owners of the parent

As at 31 December 2018, the Group's equity attributable to owners of the parent amounted to approximately RMB22,298,738,000 (2017: RMB19,621,181,000), in which non-current assets was approximately RMB9,411,627,000 (2017: RMB8,886,726,000), net current assets of approximately RMB13,220,801,000 (2017: RMB10,941,124,000), non-current liability of approximately RMB178,149,000 (2017: RMB3,197,000) and equity attributable to non-controlling interests of approximately RMB155,541,000 (2017: RMB203,472,000). Increase of equity attributable to owners of the parent was mainly attributable to the increase of retained earnings within the year.

Liquidity and financial resources

For the year ended 31 December 2018, the net cash flow from operating activities of the Group was approximately RMB4,118,732,000, while it was approximately RMB3,689,266,000 in 2017. The cash and cash equivalent of the Group as at 31 December 2018 was approximately RMB3,565,916,000, in which approximately RMB753,020,000 was denominated in RMB, approximately RMB2,769,983,000 was denominated in USD, approximately RMB19,575,000 was denominated in HKD, approximately RMB18,150,000 was denominated in Vietnamese dong, approximately RMB1,668,000 was denominated in Euro and the remaining balance was denominated in other currencies (2017: 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). The balance of bank borrowings was approximately RMB2,516,749,000 (2017: RMB2,130,409,000, all being short-term bank borrowing), of which the short-term bank borrowing was approximately RMB2,434,391,000, and long-term bank borrowing was approximately RMB82,358,000. The net cash of the Group as at 31 December 2018 (cash and cash equivalent less bank borrowing) was approximately RMB1,049,167,000, which increased by RMB708,175,000 from approximately RMB340,992,000 for the year ended 31 December 2017.

Equity attributable to owners of the parent amounted to approximately RMB22,298,738,000 (2017: RMB19,621,181,000). The Group had a good cash flow position and debt to equity ratio was 11.3% (which was calculated as percentage of total outstanding borrowings to equity attributable to owners of the parent) (2017: 10.9%), whose major reason for the slight growth than the previous year was the increase in debts in overseas subsidiary of the Group.

As a part of overall treasury management policies of the Group, the Group purchased financial products from licensed banks of China (including pledged deposits, other financial assets, financial assets at fair value through profit or loss, structured deposits and fixed 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. The purchase of such financial products had get approval of investment and lending committee established by the Board based on implementation of treasury management policies of the Company. Details of those financial products can be found in notes 12, 13, 14 and 15 to the Financial Statements contained in this preliminary announcement of the annual results.

Pledge of assets of the group

As at 31 December 2018, certain time deposits of the Group amounting to RMB500,000,000 (2017: RMB500,000,000) were pledged to secure bank loans granted to the Group. The time deposits have initial terms of more than one year and have fixed annual rates of return at 3.5%. As at 31 December 2018, these deposits will mature within one year.

Financing costs and tax

For the year ended 31 December 2018, the financing cost had decreased to approximately RMB61,049,000 from approximately RMB123,016,000 for the year ended 31 December 2017, which was mainly attributed to an interest in convertible bonds of approximately RMB42,074,000 which was included in the financing costs in the previous year. The annual rate of USD borrowings of the Group was between 2.6% and 5.2% during the year (2017: USD annual borrowing rate was between 2.1% and 4.1%).

For the year ended 31 December 2018, the income tax expense of the Group was approximately RMB597,803,000, growing RMB69,523,000 than that of approximately RMB528,280,000 for the year ended 31 December 2017, which was mainly attributed to the increase in the assessable profit in Mainland China's subsidiary of the Group within the year.

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 2018, the loan of approximately RMB702,449,000 denominated in US dollars (calculated based on original currency of approximately USD102,350,000) and loan of approximately RMB1,314,300,000 denominated in HK dollars (calculated based on original currency of approximately HKD1,500,000,000) (31 December 2017: loan of approximately RMB460,149,000 denominated in US dollars (calculated based on original currency of approximately USD70,422,000) and loan of approximately RMB1,170,260,000 denominated in HK dollars (calculated based on original currency of approximately HKD1,400,000,000)). The overseas production sites of the group were further expanded in order to reduce impact of exchange rate fluctuation of RMB to USD on the Group's business.

Employment, training and development

As at 31 December 2018, the Group employed approximately 82,700 employees in total. During the year, total labor costs (including administration and management staff) accounted for approximately 26.0% of sales of the Group (2017: 27.2%). The total staff cost as a proportion of the income decreased by approximately 1.2 percentage points as compared with last year, which was mainly attributable to the improvement in production efficiency of the Group and increase in overseas staff ratio offsetting the effect of increase in staff salary. 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 technology and product knowledge and understanding of industrial quality standards. 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, plant and equipment as well as prepaid land lease payment of the Group was approximately RMB1,896,834,000, in which approximately 43% was used for purchasing production equipment, approximately 45% 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 2018, the Group had contracted capital commitments of approximately RMB789,034,000 for procurement of land use right, property, plant and equipment, which were mainly financed with internal resources.

Significant Investments, Acquisitions And Disposals

The Group has determined to build a new garment factory in Phnom Penh, Cambodia during the year. It is estimated that an investment of between USD 100 million and USD 150 million will be made for this project in the coming two years. Apart from this, the Company did not have significant investments, acquisitions and disposals during the year ended 31 December 2018. Please refer to the announcement of the Company dated 27 September 2018 for the details of the project in Phnom Penh.

Capital and liabilities ratio

As at 31 December 2018, capital and liability ratio of the Group was 11.3%, which was calculated by percentage of total outstanding loans to equity attributable to owners of the parent.

Contingent liabilities

As at 31 December 2018, the Group had no any material contingent liabilities.

Future Prospects and Strategies

Affected by the slowdown in economic growth, the global consumption demand was correspondingly sluggish. With China-US trade conflicts bringing bigger uncertainty to the export trend in the future, and the continuing increase in enterprise production cost, the domestic textile and apparel industry will suffer pressure from both the market and cost. The promotion in the supply-side reform, enforcement in the environmental protection and the factor price increase have promoted the Chinese textile and apparel industry for internal integration and transnational product capability layout. Vietnam is benefitting from the current cost advantage, favourable trade environment and input of industrial technology and management from other countries, the apparel industry is in a good position for growth in export. However, as the scale of industrial investment continues to increase, the textile and garment industry in Vietnam will face fierce competition from the industry, and the resource factor price will increase rapidly.

For future development, the Group will persist in the dual operation of domestic and overseas bases to match the long-term business development plan of major customers and to gradually develop production capacity. The Group will expand the output of its garment manufacturing in phrases during the next two years in Vietnam and Cambodia, to keep pace with the demand of rapid growth in customer orders. Through innovative products and quality service to improve the corporate competitiveness, the Group will gain more market share. Through lean management and automated production to increase production efficiency, the Group can cope with the operating pressure from cost increase.

The domestic base of the Group provided vital operating protection for the expansion of overseas business, especially in supporting talent training and output, management and technical guidance, and collaboration of production business. The main function of transformation and upgrade of enterprise will be performed by the domestic base, especially in the continuous improvement in research and development of new products, automation application and management digitalization, with results transfer to overseas factories accordingly.

The Group will continue to focus on the main business of textile and apparel, and increase the input in product research and development. The Group will enhance its corporate innovation ability based on training and motivating internal technological talent, meanwhile, introducing talents in this industry and increasing the technical interaction and cooperation with external institutions. The Group currently set up two academician workstations separately for environmental protection and new material technology aspects to obtain more leading information on business development.

The Group will continue to improve the promotion of automation application in production process to lower the staff technical requirement and work intensity, and continuously achieve to increase the production efficiency. In addition, the Group endeavoured to promote the construction of intelligent factory to achieve the integration of the product automation and management digitalization, especially in improving the instant exchange of data and information among transnational factories and instant sharing of business handling, so as to lower the talent demand pressure in overseas factories.

The Group will continue to increase the production capacity of overseas bases, to provide better support service to customers in different sales markets, and to lower the uncertainty risk from changes in trade environment. Meanwhile, the Group will provide management and skills training to locals in the overseas factories and increase the independent corporate operating capability, so as to consolidate the stable long-term development of overseas factories.

The future development of the enterprise must depend on the continuing advancement of technology and management. The Group is dedicated to pursue for excellence, innovate constantly, strive to improve on the corporate commercial value and social value, as well as improve sustainable development ability of the enterprise.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period ended 31 December 2018, 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$0.90 per ordinary share for the year ended 31 December 2018 to shareholders whose names appear on the register of members of the Company on 10 June 2019. 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 28 May 2019 and subject to such approval having been obtained, the payment of such dividend is expected to be on or around 20 June 2019.

BOOK CLOSURE

The Register of Members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019, 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 Wednesday, 22 May 2019.

The Register of Members of the Company will be closed from Wednesday, 5 June 2019 to Monday, 10 June 2019, 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 Tuesday, 4 June 2019.

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 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 2018.

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 2018, 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 28 May 2019 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 2018.

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 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 year ended 31 December 2018.

SHARE OPTION SCHEME

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

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 for the year ended 31 December 2018 and 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 four independent non-executive directors, namely Mr. Jiang Xianpin, Mr. Chen Xu, Mr. Qiu Weiguo and Mr. Zhang Bingsheng. On 1 September 2018, Mr. Zhang Bingsheng was appointed as the member of audit committee. 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 financials 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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the provisions of the CG Code and are subject to amendments in response to the regulatory requirements from time to time (including the Listing Rules).

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 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, Mr. Jiang Xianpin and Mr. Zhang Bingsheng, three of them are independent non-executive directors. On 1 September 2018, Mr. Zhang Bingsheng was appointed as the member of remuneration committee. 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 2018, the Nomination Committee comprises Mr. Ma Jianrong, an executive director, Mr. Qiu Weiguo, Mr. Jiang Xianpin and Mr. Zhang Bingsheng, three of them are independent non-executive directors. On 1 September 2018, Mr. Zhang Bingsheng was appointed as the member of nomination committee. 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 diversity 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 2018 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 2018, 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 2019.

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 Tuesday, 28 May 2019 at 10:00 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, 25 March 2019

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 four independent non-executive Directors, namely Mr. Chen Xu, Mr. Jiang Xianpin, Mr. Qiu Weiguo and Mr. Zhang Bingsheng.