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 2019

HIGHLIGHTS

- Sales for the six months ended 30 June 2019 amounted to approximately RMB10,279,693,000, representing an increase of 12.2% when compared with the corresponding period of 2018.
- Percentage of sportswear products sales to total sales was approximately 71.7% for the six months ended 30 June 2019. Revenue from sale of sportswear products increased by approximately 18.6% when compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 23.1% for the six months ended 30 June 2019. Revenue from sale of casual wear products increased by approximately 9.7% when compared with the corresponding period of the previous year.
- Percentage of lingerie products sales to total sales was approximately 4.5% for the six months ended 30 June 2019. Revenue from sale of lingerie products decreased by approximately 35.8% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2019 amounted to approximately RMB3,174,879,000, representing an increase of 7.4% when compared with the corresponding period of 2018. Gross profit margin decreased by 1.4% to 30.9%.
- Net profit attributable to owners of the parent for the six months ended 30 June 2019 amounted to approximately RMB2,416,027,000, representing an increase of approximately 10.9% when compared with the corresponding period of 2018, among which, the apportion of loss of approximately RMB82,944,000 (based on 51% equity interests) generated from the shrinking retail business of the Group (for the six months ended 30 June 2018: the apportion of loss is approximately RMB26,315,000) had been included. The net profit attributable to owners of the parent for the period would have increased by approximately 13.3% if the loss generated from retail business was excluded.
- Basic earnings per share were RMB1.61, representing an increase of approximately 11.0% from RMB1.45 for the corresponding period last year.
- The Board had resolved to declare an interim dividend of HK$0.90 per share, representing an increase of approximately 5.9% from HK$0.85 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 2019 (the "Reporting Period"), together with the comparative amounts for the corresponding period of 2018. 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 2019

		Unaudited For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**10,279,693**	9,159,900
Cost of sales	*5*	**(7,104,814)**	(6,203,037)
Gross profit		**3,174,879**	2,956,863
Other income and gains	*6*	**501,919**	442,543
Selling and distribution expenses	*5*	**(222,112)**	(249,638)
Administrative expenses	*5*	**(799,933)**	(688,129)
Other expenses	*7*	**(7,401)**	(9,485)
Finance costs	*8*	**(36,268)**	(25,592)
Share of profit of an associate		**2,816**	1,931
PROFIT BEFORE TAX		**2,613,900**	2,428,493
Income tax expense	*9*	**(277,334)**	(274,708)
PROFIT FOR THE PERIOD		**2,336,566**	2,153,785
Attributable to:			
Owners of the parent		**2,416,027**	2,178,871
Non-controlling interests		**(79,461)**	(25,086)
		2,336,566	2,153,785
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic			
— For profit for the period		**RMB1.61**	RMB1.45
Diluted			
— For profit for the period		**N/A**	N/A

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Unaudited For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE PERIOD	**2,336,566**	2,153,785
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange gain on translation of foreign operations	**29,935**	49,592
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods:	**29,935**	49,592
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**29,935**	49,592
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,366,501**	2,203,377
ATTRIBUTABLE TO:		
Owners of the parent	**2,445,961**	2,228,461
Non-controlling interests	**(79,460)**	(25,084)
	2,366,501	2,203,377

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**Unaudited 30 June 2019 RMB'000**	Audited 31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**8,421,687**	8,002,724
Right-of-use assets	*12*	**1,578,366**	—
Prepaid land lease payments	*12*	**—**	1,200,501
Intangible assets	*12*	**99,328**	99,674
Long-term prepayments	*15*	**—**	82,667
Investment in an associate		**15,181**	12,365
Deferred tax assets		**13,314**	13,696
Total non-current assets		**10,127,876**	9,411,627
CURRENT ASSETS			
Inventories	*13*	**5,660,739**	5,237,432
Trade and bills receivables	*14*	**3,049,060**	3,564,821
Prepayments and other receivables	*15*	**833,176**	659,955
Amounts due from related parties	*20b*	**817**	2,625
Other financial assets		**980,000**	1,480,000
Pledged deposits		**500,000**	500,000
Bank deposits with an initial term of over three months		**3,204,749**	3,129,678
Cash and cash equivalents		**3,938,455**	3,565,916
Total current assets		**18,166,996**	18,140,427
CURRENT LIABILITIES			
Trade payables	*16*	**1,001,953**	812,687
Contract liabilities		**11,888**	24,161
Other payables and accruals	*17*	**708,320**	1,181,676
Lease liabilities		**41,913**	—
Amounts due to a related party	*20b*	**1,035**	1,882
Interest-bearing bank borrowings		**2,398,748**	2,434,391
Tax payable		**104,153**	464,829
Total current liabilities		**4,268,010**	4,919,626
NET CURRENT ASSETS		**13,898,986**	13,220,801
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,026,862**	22,632,428

	Unaudited	Audited
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**103,121**	82,358
Lease liabilities	**148,804**	—
Deferred tax liabilities	**144,709**	95,791
Total non-current liabilities	**396,634**	178,149
Net assets	**23,630,228**	22,454,279
EQUITY		
Equity attributable to owners of the parent		
Share capital	**151,200**	151,200
Reserves	**23,402,947**	22,147,538
	23,554,147	22,298,738
Non-controlling interests	**76,081**	155,541
Total equity	**23,630,228**	22,454,279

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 26 August 2019.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". 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 2018.

3. ACCOUNTING POLICIES

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following new standards, interpretations and amendments for the first time for the financial year beginning on 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 Leases, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs 16 are described below:

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease;

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,451,306
Decrease in prepaid land lease payments	(1,200,501)
Decrease in prepayments, other receivables	(35,749)
Increase in total assets	215,056
Liabilities	
Increase in lease liabilities	215,056
Increase in total liabilities	215,056

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000
	(Unaudited)
Operating lease commitments as at 31 December 2018	532,041
Weighted average incremental borrowing rate as at 1 January 2019	3.88%
Discounted operating lease commitments as at 1 January 2019	480,566
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(265,510)
Lease liabilities as at 1 January 2019	215,056

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial information for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period as follow:

	Right-of-use assets			
	Land	**Buildings**	**Total**	**Lease liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	1,200,501	250,804	1,451,305	215,056
Addition	168,074	—	168,074	—
Depreciation charge	(16,741)	(24,899)	(41,640)	—
Exchange differences	627	—	627	—
Interest expense	—	—	—	4,054
Payments	—	—	—	(28,393)
As at 30 June 2019	1,352,461	225,905	1,578,366	190,717

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	
	2019	2018
	RMB'000	*RMB'000*
Mainland China	**3,223,167**	2,617,618
European Union	**1,744,244**	1,851,673
Japan	**1,551,343**	1,428,645
United States of America	**1,532,246**	1,284,560
Other regions	**2,228,693**	1,977,404
	10,279,693	9,159,900

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

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

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Mainland China	**5,322,599**	5,087,674
Vietnam	**4,250,251**	3,883,814
Cambodia	**517,880**	261,167
Other regions	**8,651**	152,911
	10,099,381	9,385,566

The non-current asset information above is based on the locations of the assets and excludes investment in an associate and deferred tax assets.

Information about major customers

Revenue from major customers which individually accounts for 10% or more of the Group's total revenue are as follows:

	Unaudited For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**3,258,405**	2,715,676
Customer B	**2,019,915**	1,773,452
Customer C	**1,939,598**	1,740,315
Customer D	**1,153,571**	860,212
	8,371,489	7,089,655

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	
	2019	2018
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**2,666,497**	2,291,690
Retirement benefit contributions	**237,779**	208,037
Other benefits	**85,346**	82,026
	2,989,622	2,581,753
Depreciation, amortisation and impairment expenses	**511,971**	430,455
Changes in inventories of finished goods and work in progress	**(610,978)**	(577,440)
Raw materials and consumables utilized	**4,257,283**	3,861,406
Utilities expenses	**425,185**	382,621
Outsourcing	**88,050**	27,881
Transportation expenses	**83,369**	70,274
Repair expenses	**57,950**	52,260
Office expenses	**43,364**	46,379
Donation	**42,788**	1,057
Operating lease expenses for properties	**41,991**	84,015
Traveling expenses	**23,103**	12,768
Taxation	**22,281**	28,932
Charges for disposing pollutants	**15,174**	13,719
Entertainment expenses	**11,440**	11,467
Inspection fees	**5,795**	8,124
Other expenses	**118,471**	105,133
Total cost of sales, selling and distribution costs and administrative expenses	**8,126,859**	7,140,804

6. OTHER INCOME AND GAINS

	Unaudited For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Other income		
Government incentives	**329,473**	291,691
Bank interest income	**112,479**	118,931
Other Interest income from entrusted loans	**—**	171
Other interest income from other financial assets	**29,581**	—
Rental income	**8,921**	10,433
	480,454	421,226
Gains		
Exchange gains, net	**21,465**	21,317
	501,919	442,543

7. OTHER EXPENSES

	Unaudited For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Loss on disposal of items of property, plant and equipment	**2,413**	4,518
Rental cost	**4,988**	4,967
	7,401	9,485

8. FINANCE COSTS

	Unaudited For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Interest on bank borrowings	**32,214**	25,592
Interest on lease liabilities	**4,054**	—
	36,268	25,592

9. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2019 and 2018 are:

	Unaudited For the six months ended 30 June 2019 *RMB'000*	2018 *RMB'000*
Current Hong Kong profits tax	**9,514**	16,612
Current overseas withholding tax	**2,310**	3,068
Current Mainland China corporate income tax ("CIT")	**216,210**	252,575
Deferred taxation	**49,300**	2,453
	277,334	274,708

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 of the Company and the subsidiaries which carry on business in Hong Kong is calculated at 8.25% (for the six months ended 30 June 2018: 8.25%) of the first HK$2,000,000 and 16.5% (for the six months ended 30 June 2018: 16.5%) of the remaining estimated assessable profits for the period.

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.

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 2018: 20%). Certain subsidiaries are entitled to an exemption from income tax for the first four profit-making years pursuant to the law of Taxation in Cambodia.

The subsidiary incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% (for the six months ended 30 June 2018: 30%) of the assessable profits arising in Japan.

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

The subsidiary incorporated in Macao is exempted from Macao Complementary Tax pursuant to Macao's relevant tax legislations.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), the PRC subsidiaries as determined for the period in accordance with the New CIT Law are subject to a tax rate or 25% on their assessable income.

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

(a) Basic

The calculation of earnings per share attributable to ordinary equity holders of the parent for the period is based on the consolidated profit attributable to owners of the parent of approximately RMB2,416,027,000 (for the six months ended 30 June 2018: RMB2,178,871,000) and on the weighted average number of 1,503,222,397 (for the six months ended 30 June 2018: 1,503,222,397) 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 2019 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 26 August 2019, the Board declared an interim dividend of HK$0.90 per share (for the six months ended 30 June 2018: HK$0.85 per share), totaling approximately HK$1,352,900,000 (equivalent to approximately RMB1,190,146,000). 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 2019.

12. CAPITAL EXPENDITURES

	Property, plant and equipment *RMB'000*	**Right-of-use assets** *RMB'000*	**Prepaid land lease payments** *RMB'000*	**Water use right** *RMB'000*	**Software** *RMB'000*
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
Unaudited					
For the six months ended 30 June 2019					
Opening net book amount at 1 January 2019	**8,002,724**	**1,451,305**	**—**	**60,738**	**38,936**
Additions	**1,028,214**	**168,074**	**—**	**—**	**5,868**
Disposals	**(150,251)**	**—**	**—**	**—**	**—**
Depreciation/amortisation	**(464,117)**	**(41,640)**	**—**	**(3,225)**	**(2,989)**
Exchange differences	**5,117**	**627**	**—**	**—**	**—**
Closing net book amount at 30 June 2019	**8,421,687**	**1,578,366**	**—**	**57,513**	**41,815**

13. INVENTORIES

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Raw materials	**1,001,209**	1,179,985
Work in progress	**2,298,571**	2,075,322
Finished goods	**2,492,429**	2,104,700
	5,792,209	5,360,007
Provision	**(131,470)**	(122,575)
	5,660,739	5,237,432

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 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Within three months	**2,826,423**	3,339,865
Over three months	**222,637**	224,956
	3,049,060	3,564,821

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

15. PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Current		
Prepayments and deposits		
— Purchase of raw materials	**109,713**	108,961
— Purchase of items of property, plant and equipment	**335,072**	95,447
— Prepaid rental and deposits	**63,853**	110,636
— Others	**18,826**	20,422
VAT refund receivable and recoverable	**73,214**	112,988
Interest receivable	**133,690**	102,631
Other receivables	**98,808**	108,870
	833,176	659,955
Non-Current		
Long-term prepayments*	**—**	82,667

The carrying amounts of the prepayment and other receivables approximate to their fair values.

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

16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the period, based on the invoice date, is as follows:

	Unaudited 30 June 2019 *RMB'000*	Audited 31 December 2018 *RMB'000*
Within six months	**984,532**	789,836
Six months to one year	**6,221**	6,647
One year to two years	**1,625**	5,891
Over two years	**9,575**	10,313
	1,001,953	812,687

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	Audited
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
Accrued expenses	**424,868**	769,732
Payable for Water Use Right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**45,202**	23,143
Payables and guarantee deposits related to construction projects	**39,219**	62,361
Rental deposits	**12,015**	12,286
Other taxes payable	**7,367**	150,588
Others	**103,649**	87,566
	708,320	1,181,676

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	Audited
	30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**711,862**	718,614
Acquisition of land use right	**1,059**	70,420
	712,921	789,034

19. CONTINGENT LIABILITIES

As at 30 June 2019, the Group had no significant contingent liabilities (at 31 December 2018: 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 2019 and 2018:

	Unaudited For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Lease of apparel production properties from Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties")*	**3,699**	4,812
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**8,883**	19,376
Printing service provided by Ningbo Avery***	**56,796**	52,307
Sales and marketing services and general support services provided to Ningbo Avery***	**4,472**	2,626

* 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 2019	Audited 31 December 2018
	RMB'000	*RMB'000*
Amounts due from related parties		
— Trade related		
Shenzhou Properties	**617**	949
Ningbo Avery	**200**	1,676
	817	2,625
Amounts due to a related party		
— Trade related		
Huaxi Packaging Company	**1,035**	1,882

(c) Key management compensation

	Unaudited For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**14,540**	12,151
Post-employment benefits	**74**	70
	14,614	12,221

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 2019 and its notes ("financial statements") contained in this interim results 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 2019 was approximately USD124.23 billion, representing a decrease of approximately 2.4% over the same period of last year. Out of the total export value, the export value of textile products amounted to approximately USD58.62 billion, representing a growth of approximately 0.7% over the same period last year. The garment export value amounted to approximately USD65.61 billion, representing a decrease of approximately 4.9% over the same period last year. From January to June 2019, the export value of apparel products from Mainland China to Europe, America and Japan amounted to USD17.57 billion, USD15.17 billion and USD6.89 billion respectively, representing a decrease of 8.4%, 0.3% and 6.1% respectively over the same period last year. With the effect of the current decelerating global economy and China-US trade conflict, the demand of international markets for Chinese apparel products is not positive. In terms of the domestic apparels consumption market, according to data released by the National Bureau of Statistics, out of the amount of retail sales of products manufactured by enterprises above designated size from January to June 2019, total retail sales of apparels, footwear and headwear, and knitted products was approximately RMB656.0 billion (of which the total retail sales of apparels was approximately RMB475.0 billion), representing a year-on-year growth of approximately 3.0% (year-on-year growth of apparels was approximately 2.7%). In addition, the amount of sales of national online retail products in the wearing segment has seen a year-on-year increase of approximately 21.4%, representing a growth rate with decreasing approximately 2.7% than that in the same period last year. The increase in apparels consumption from domestic market maintained a slower trend.

Driven by favourable trading environment and lower cost advantage, the textile and garment industry in Vietnam has moved towards sustained growth. According to the preliminary statistics of the Vietnam Customs, from January to June 2019, the export amount of Vietnam's textiles and apparels was approximately US$15.09 billion, representing a growth of approximately 10.3% over the same period last year, of which the amount exported to the United States, Japan and South Korea were approximately US$7.03 billion, US$1.77 billion and US$1.39 billion respectively, representing an increase of 9.6%, 4.3% and 7.4% respectively over the same period last year. From January to June 2019, Vietnam's import amount of fabrics from foreign countries was approximately US$6.56 billion, representing a growth of approximately 4.7% over the same period last year, of which the amount of fabrics imported from China was approximately US$3.79 billion, accounting for approximately 57.8% of the total amount of imported fabrics, which represented an increase of approximately 10.4% over the same period last year; Vietnam's export amount of yarns was approximately US$2.03 billion, representing a growth of approximately 1.9% over the same period last year, of which the amount exported to China was approximately US$1.16 billion, which represented an increase of approximately 7.3% over the same period last year.

During the period, the market demand for China's textile and apparel products was not satisfactory. Due to factors such as the tightening of environmental protection policies, the prices of dyes and main raw materials for dyeing and finishing process increased significantly over the same period last year; the employment costs of enterprises also increased generally; as the Chinese government has reduced the value-added tax rate of production enterprises by 3% since 1 April 2019, tax burden of most enterprises have been reduced, but the cost pressure of export enterprises has risen.

From January to June 2019, the sales revenue and operating results of the Group had once again hit a record high for the same period historically, with revenue and profit attributable to owners of the parent increasing by approximately 12.2% and 10.9% respectively over the same period in 2018 and realising earnings per share of RMB1.61. Faced with the changing and complex global trading environment, the Group conducted its various projects during the period under the goal of enhancing enterprise competitiveness and aiming at the long-term sustainable development of the enterprise. The Group continued to expand its production scale of overseas bases and further optimised the resource allocation between domestic bases; in order to be more focused on the manufacturing business, the Group further downscaled its retail business during the period.

During the period, the Group's new garment manufacturing base in Vietnam has completed its overall construction and its staff team has been expanded gradually. Such new garment manufacturing base locates in the same area as the Group's existing fabric production base in Vietnam, which can give full play to the advantages of convenient logistics and centralized management. Moreover, during the period, the Group's new garment factory in Cambodia has officially commenced its construction, and construction of the factory has been progressing smoothly at this moment. In the past few years, overseas factories have achieved continuous expansion in production capacity, made significant progress in management, and in particular, deepened lean management and promoted automation, and hence propelled the continuous improvement of their production efficiency.

In terms of our domestic bases, the Group started to expand the capacity of upstream fabric processes to gradually reduce the import of fabrics from Vietnam bases, and ultimately to realize the respective matching of production capacity of fabrics and garment in our domestic and international production bases. Besides, the Group is currently building logistics and warehousing facilities that are more automated and intelligent in the PRC to improve the efficiency and accuracy of logistics and transportation. As a result of the Group's sustained efforts in upgrading and transformation of production line equipment, resources consumption such as water, electricity and steam for product per unit in our domestic bases further decreased during the period.

The Group has engaged in self-operated retail business for many years but failed in developing it into one of our major businesses. Considering the Group's resource allocation and client's benefit, the Group has closed about half of the outlets during the period. The rapid contraction of the retail business has caused certain negative impact on our result of this period. Though products of the Group have sizable demand in domestic market, retail business requires substantial investment and faces uncertainties in the successful operation. In light of this, the Group will continue to focus on development of its manufacturing business and further downsize its retail business.

OPERATION PERFORMANCE OF THE GROUP

Revenue

The revenue of the Group increased by approximately RMB1,119,793,000 to approximately RMB10,279,693,000 for the six months ended 30 June 2019 from approximately RMB9,159,900,000 for the six months ended 30 June 2018, with a growth rate of approximately 12.2%. During the period, the sales revenue of the Group achieved growth, mainly attributable to: 1) the order demand from our major customers continued to achieved ideal growth; 2) the production capacities and productivity of the overseas production bases of the Group were further expanded;

The comparison of revenue of the Group analyzed as per product category for the six months ended 30 June 2019 and the six months ended 30 June 2018 is as below:

	For the six months ended 30 June					
	2019		2018		Changes	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sportswear	**7,369,014**	**71.7**	6,215,593	67.9	1,153,421	18.6
Casual wear	**2,373,614**	**23.1**	2,164,359	23.6	209,255	9.7
Lingerie	**458,900**	**4.5**	714,412	7.8	(255,512)	(35.8)
Other knitwear	**78,165**	**0.7**	65,536	0.7	12,629	19.3
Total revenue	**10,279,693**	**100.0**	9,159,900	100.0	1,119,793	12.2

For the six months ended 30 June 2019, revenue from sales of sportswear products was approximately RMB7,369,014,000, which increased by approximately RMB1,153,421,000 from approximately RMB6,215,593,000 for the six months ended 30 June 2018 with a growth rate of approximately 18.6%. The increase in revenue from sales of sportswear products was mainly attributable to the increase of the demands for sportswear in the mainland China market and US market.

For the six months ended 30 June 2019, revenue from sales of casual wear products was approximately RMB2,373,614,000, which was increased by approximately RMB209,255,000 from approximately RMB2,164,359,000 for the six months ended 30 June 2018 with a growth rate of approximately 9.7%. Such increase was mainly attributable to the increase of the procurement demands for casual wear in Japanese market.

For the six months ended 30 June 2019, revenue from sales of lingerie products was approximately RMB458,900,000, which decreased by approximately RMB255,512,000 from approximately RMB714,412,000 for the six months ended 30 June 2018 with a drop rate of approximately 35.8%. Such decline was mainly attributable to the decrease of the procurement demands for lingerie wear in Japanese market.

The comparison of revenue of the Group analyzed as per market segmentation for the six months ended 30 June 2019 and the six months ended 30 June 2018 is as below:

	For the six months ended 30 June					
	2019		2018		Changes	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
International sales						
Europe	**1,744,244**	**17.0**	1,851,673	20.2	(107,429)	(5.8)
Japan	**1,551,343**	**15.1**	1,428,645	15.6	122,698	8.6
US	**1,532,246**	**14.9**	1,284,561	14.0	247,685	19.3
Others	**2,228,693**	**21.7**	1,977,403	21.6	251,290	12.7
Sub-total for international sales	**7,056,526**	**68.7**	6,542,282	71.4	514,244	7.9
Domestic sales	**3,223,167**	**31.3**	2,617,618	28.6	605,549	23.1
Total revenue	**10,279,693**	**100.0**	9,159,900	100.0	1,119,793	12.2

For the six months ended 30 June 2019, the revenue of the Group in the European market was approximately RMB1,744,244,000, representing a decrease of approximately RMB107,429,000 or 5.8% from approximately RMB1,851,673,000 for the six months ended 30 June 2018. During the period, the decrease of the revenue in European market was mainly attributable to the decline in the procurement demand of sportswear in the European market.

For the six months ended 30 June 2019, the revenue of the Group in the Japanese market was approximately RMB1,551,343,000, representing an increase of approximately RMB122,698,000 or 8.6% from approximately RMB1,428,645,000 for the six months ended 30 June 2018. During the period, the increase of revenue in the Japanese markets was mainly attributable to the increase in the demand for casual wear and sportswear in the Japanese market.

For the six months ended 30 June 2019, the revenue of the Group in the US market was approximately RMB1,532,246,000, representing an increase of approximately RMB247,685,000 or 19.3% from approximately RMB1,284,561,000 for the six months ended 30 June 2018. The sales in US market continued to maintain rapid growth which was mainly attributable to the increase in the orders for sportswear products in the US market.

The revenue from other markets including Republic of Korea, Taiwan and Hong Kong continued to maintain a steady growth. For the six months ended 30 June 2019, the revenue of other markets showed a growth of approximately 12.7% from that for the six months ended 30 June 2018.

For the six months ended 30 June 2019, the revenue of the Group from the domestic market increased by approximately 23.1% as compared with the same period last year. Among domestic revenue, revenue from apparels was approximately RMB3,137,147,000, which significantly increased by approximately RMB604,406,000 from approximately RMB2,532,741,000 for the same period last year, with a growth rate of approximately 23.9%. Domestic market has become the most important single market for the Group, and the demand for orders from our major customers in the domestic market maintain to increase significantly during the period. The increase in the domestic market share has reduced the impact of uncertainties in trade policy changes between China and the United States and the exchange rate fluctuation of the RMB against the US dollar.

Cost of sales and gross profit

The cost of sales of the Group for the six months ended 30 June 2019 amounted to approximately RMB7,104,814,000 (for the six months ended 30 June 2018: approximately RMB6,203,037,000). The gross profit margin of the Group for the six months ended 30 June 2019 was approximately 30.9%, representing a slight decrease of approximately 1.4% compared with that of approximately 32.3% for the six months ended 30 June 2018. During the period, factors causing the decrease in gross profit margin of the Group mainly include: 1) the decrease in the number of proprietary stores and discount sales for destocking due to the shrinking of retail business by the Group; 2) the increase in cost of chemical raw materials used in the dyeing process; 3) the rise in labour cost during the period.

Equity attributable to owners of the parent

As at 30 June 2019, the Group's equity attributable to owners of the parent amounted to approximately RMB23,554,147,000 (31 December 2018: approximately RMB22,298,738,000), in which non-current assets was approximately RMB10,127,876,000 (31 December 2018: approximately RMB9,411,627,000), net current assets was approximately RMB13,898,986,000 (31 December 2018: approximately RMB13,220,801,000), non-current liabilities was approximately RMB396,634,000 (31 December 2018: approximately RMB178,149,000) and equity attributable to non-controlling interests was approximately RMB76,081,000 (31 December 2018: approximately RMB155,541,000). The change of equity attributable to owners of the parent was mainly attributable to: 1) the increase of operating profit of the Group; and 2) the decrease of reserves resulting from the payment of final dividend of 2018 to owners of the parent during the period.

The net profit attributable to owners of the parent for the period was approximately RMB2,416,027,000, representing an increase of approximately RMB237,156,000 or 10.9% as compared with approximately RMB2,178,871,000 for the corresponding period of previous year, among which, the apportion of loss of approximately RMB82,944,000 (based on 51% equity interests) generated from the shrinking retail business of the Group (for the six months ended 30 June 2018: the apportion of loss is approximately RMB26,315,000) had been included. The net profit attributable to owners of the parent for the period would have increased by approximately 13.3% as compared with that of previous year if the loss of the retail business was excluded.

Liquidity and financial resources

For the six months ended 30 June 2019, net cash generated from the Group's operating activities amounted to approximately RMB2,258,576,000 (for the six months ended 30 June 2018: approximately RMB1,671,542,000). Cash and cash equivalents of the Group as at 30 June 2019 was approximately RMB3,938,455,000, of which approximately RMB1,140,585,000 was denominated in RMB, approximately RMB2,739,871,000 was denominated in USD, approximately RMB28,414,000 was denominated in Vietnamese dong, approximately RMB26,214,000 was denominated in Hong Kong dollar, approximately RMB1,679,000 was denominated in Euro, and the remaining balance was denominated in other currencies (31 December 2018: approximately RMB3,565,916,000, of 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 Hong Kong dollar, 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). The balance of bank borrowings was approximately RMB2,501,869,000 (31 December 2018: approximately RMB2,516,749,000, of which short term bank borrowings was approximately RMB2,434,391,000, and long-term bank borrowing was approximately RMB82,358,000), of which short term bank borrowings was approximately RMB2,398,748,000, and long-term bank borrowing was approximately RMB103,121,000. The net cash of the Group as at 30 June 2019 (cash and cash equivalent less bank borrowing) was approximately RMB1,436,586,000(31 December 2018: net cash amounted to approximately RMB1,049,167,000). Net cash increased by approximately RMB387,419,000, which was mainly attributable to the increase in cash generated from operating activities of the Group and certain financial assets were classified as cash equivalents as a result of their increased liquidity.

Equity attributable to owners of the parent amounted to approximately RMB23,554,147,000 (31 December 2018: approximately RMB22,298,738,000). 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 owners of the parent) of approximately 10.6% (31 December 2018: approximately 11.3%).

As a part of overall treasury management policies of the Group, the Group purchased financial products from various licensed banks of China (including pledged deposits, other financial assets 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The purchase of such financial products was approved by the investment and lending committee established by the Board to monitor the implementation of treasury management policies of the Group.

Financing costs and tax

For the six months ended 30 June 2019, the financing cost had increased by approximately RMB10,676,000 to approximately RMB36,268,000 from approximately RMB25,592,000 for the six months ended 30 June 2018, which was mainly attributed to the increase in average loan balance of the Group and the increase in loan interest rate resulting from the higher average value of LIBOR and HIBOR as compared with the same period last year and recognition of interest expense on lease liabilities during the period.

For the six months ended 30 June 2019, the income tax expense of the Group increased by approximately RMB2,626,000 to approximately RMB277,334,000 from approximately RMB274,708,000 for the six months ended 30 June 2018, which was mainly attributed to the increase in the assessable profit during the period.

Pledge of the Group's assets

As at 30 June 2019, certain time deposits of the Group amounting to RMB500,000,000 (31 December 2018: RMB500,000,000) were pledged to secure bank loans granted to the Group. The terms of time deposits are more than one year with a fixed annual 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 corresponding policies in light of the existing fluctuations of exchange rate between USD and RMB to hedge against certain risk exposure in respect of foreign exchange. The amounts applied for hedging depend on the Group's expected revenue in USD, procurement and capital expenditure, as well as considering the market forecast of fluctuations in the exchange rate of USD against RMB in the market.

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. Amongst total bank loan as at 30 June 2019, the loan of approximately RMB506,379,000 denominated in USD (calculated based on original currency of approximately USD73,658,000) and loan of approximately RMB1,495,490,000 denominated in HKD (calculated based on original currency of approximately HKD1,700,000,000) (31 December 2018: loan of approximately RMB702,449,000 denominated in USD (calculated based on original currency of approximately USD102,350,000) and loan of approximately RMB1,314,300,000 denominated in HKD (calculated based on original currency of approximately HKD1,500,000,000)). The increase in proportion of capacity of the Group's overseas production bases and that of domestic sales market share have significantly mitigated the impact of exchange rate fluctuations of RMB against USD on operations.

Employment, training and development

As at 30 June 2019, the Group employed approximately 91,700 employees in total. During the period, the total staff costs, including administrative and management staff, accounted for approximately 29.1% (for the six months ended 30 June 2018: approximately 28.2%) 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 annual performance appraisals. In addition, the Group also offered staff rewards or other form of incentives to motivate their personal growth and career development, 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, and 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 to attend.

Capital expenditure and capital commitments

For the six months ended 30 June 2019, the Group's total investment in property, plant and equipment, right-of-use assets and intangible assets amounted to approximately RMB1,202,156,000, of which approximately 46% was used for the acquisition of production equipment, approximately 51% was used for the construction and acquisition of new factory buildings and right-of-use assets, and the remaining balance was used for the purchase of other fixed assets and software.

As at 30 June 2019, the Group had contracted capital commitments of approximately RMB712,921,000 in connection with the acquisition and construction of land use right and properties, plants and equipment, which will be mainly financed by net proceeds from the Group's internal resources.

Significant investments, acquisitions and disposals

The Group began the building of a new garment factory in Phnom Penh, Cambodia in late 2018. It is estimated that an investment of approximately USD200 million will be made for this project between 2019 and 2020. During the six months ended 30 June 2019, the foundation and the major portion of structural steel in the first stage has completed on the building of the Cambodian factory which incurred an investment of approximately USD30 million. Please refer to the announcement of the Company dated 17 September 2018 for the details of the project in Phnom Penh.

Save as disclosed above, the Group did not have any significant investments, acquisitions and disposals during the six months ended 30 June 2019.

Gearing ratio

As at 30 June 2019, the Group's gearing ratio was approximately 10.6%, calculated based on the balance of the total outstanding borrowings to the equity attributable to owners of the parent.

Contingent liabilities

As at 30 June 2019, the Group had no significant contingent liability (31 December 2018: Nil).

FUTURE PROSPECTS AND STRATEGIES

Affected by the slowdown in global economic growth, it's expected that the consumption demand in the market will be difficult to improve significantly in the short term. Although China and the United States have conducted several rounds of negotiations on trade frictions, no agreement has been reached and the scope of commodity to be affected by tariffs is expanding. Recently, the US President announced through social media that the United States imported commodities from China to the United States a 10% tariff on an additional US$300 billion worth of certain imported commodities from China to the United States since 1 September 2019, excluding the previous 25% tariff which has already been imposed on US$250 billion worth of imported commodities from China to the United States. On 13 August 2019, Office of the United States Trade Representative stated that tariffs on certain Chinese imports including certain shoes and apparel products will be postponed to 15 December 2019. The implementation of such US tariff policy will increase the pressure on the export of Chinese textile and apparel industry and the procurement of US importers as well. Chinese textile and apparel industry has obvious global competitive advantages in industry support, product innovation, production efficiency, industry talents, infrastructure, etc. Vietnam and other countries can undertake the industry transfer from China to some degree with advantages in cost and trade environment, but China's overall advantage in the industry is irreplaceable.

Under the current complex and volatile trade environment with continuously rising manufacturing costs, the Group's development strategy focus on the long-term competitiveness of the enterprise and the Group will further consolidate the development foundation in product innovation, production efficiency, market layout and caring for employees.

Enhancing product innovation ability and producing more products to consumers' satisfaction are the survival value of manufacturing enterprises and the important safeguard to secure customers' demands. The Group will continue to increase investment in product R&D, cultivate and introduce technical personnel and implement incentive policies. Through product innovation, the Group will improve the functionality of fabrics or develop new functions to produce more green products of high-quality. At the same time, the Group will minimize the adverse impact in maximum level on the surrounding environment in the production process, and achieve the coordination of enterprise development and environmental protection.

The progress of science and technology and management has promoted the continuous improvement of production efficiency, which is also the best measure to cope with the rising cost. The Group attaches great importance to promoting the application of automated production equipment and strengthening interaction with equipment manufacturers to guide the development direction of automated equipment. In addition, the Group will continue to deepen lean production and management, and achieve the best use of capacity through strengthening the planning control over production schedule and adjustment capability. In terms of production efficiency, domestic production bases will provide talents and technical support to overseas bases in order to achieve synchronous upgrading of the Group as a whole.

In terms of sales market, the Group takes into account comprehensive factors such as trade environment, order delivery and employee efficiency to arrange and distribute order business of domestic and foreign production bases, and strives to reduce tariff costs and procurement risks of import links for customers. The Group is expected to accelerate the production expansion in Vietnam and Cambodia in the future. At the same time, in line with the business development of customers in mainland China, the Group attaches great importance to increasing the sales share of the domestic market, which is also conducive to reducing the uncertain impact of exchange rate fluctuations and trade policy changes. The Group will appropriately increase the production in China according to demands.

Employee caring is also an important part of the Group's development strategy. The Group will continue to improve the working and living environment of its employees and improve their related welfare. The Group will build several new staff dormitories in the domestic bases to provide better accommodation conditions for employees to enjoy better personal living space. Currently, the newly built overseas factories under construction have also been planned to build supporting staff dormitories, which will be provided free of charge to employees in need. Establishing a stable and well-trained staff team is the cornerstone of the Group's promotion and implementation of the spirit of ingenuity, and also an important wealth of the Group.

The business difficulties faced by the industry at present also nurtures opportunities for development. Only by making progress in change and promoting innovation in development can enterprises break through difficulties and grow against adversity. The Group strives to enhance its sustainability according to its existing development strategies, so as to provide better services to customers and create better returns for shareholders.

EVENTS AFTER REPORTING PERIOD

The Company has entered into a framework agreement with the People's Government of Ningbo Beilun District* (寧波市北侖區人民政府) on 27 July 2019 (as supplemented by a supplemental agreement on 28 July 2019) in relation to 18 projects mainly relating to the garment manufacturing industry in the Beilun District, Ningbo, PRC. The maximum investment amount for the 18 projects is estimated to be approximately RMB7,200,000,000. Please refer to the announcement of the Company dated 29 July 2019 for further details.

Save as disclosed above, there were no other important events affecting the Group that have occurred after 30 June 2019 and up to the date of this announcement.

DIVIDEND

At the Company's annual general meeting held on 28 May 2019, the shareholders of the Company approved the payment of a final dividend of HK$0.90 per share for the year ended 31 December 2018 to the shareholders whose names appeared on the register of members of the Company at the close of business on 10 June 2019. The dividend was paid by the Company on 21 June 2019 in cash.

The Board had resolved to declare an interim dividend of HK$0.90 (equivalent to approximately RMB0.79) per share for the six months ended 30 June 2019 (for the six months ended 30 June 2018: HK$0.85 per share) to the shareholders whose names appeared on the register of members of the Company at the close of business on 12 September 2019. The interim dividend is expected to be paid on or before 26 September 2019.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 10 September 2019 to 12 September 2019, 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 9 September 2019.

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 2019. 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 2018 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, 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 28 May 2019 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 2019.

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 2019, 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 2019.

SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 30 June 2019.

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.

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 the date 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. 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 2019.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with the CG Code on 9 October 2005. As at the date of this announcement, the Remuneration Committee comprises Mr. Ma Renhe, an executive Director, Mr. Chen Xu, Mr. Jiang Xianpin and Mr. Zhang Bingsheng, three 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 at the date of this announcement, the Nomination Committee comprises Mr. Ma Jianrong, an executive Director, Mr. Qiu Weiguo, Mr. Jiang Xianpin and Mr. Zhang Bingsheng, three independent non-executive Directors. Mr. Ma Jianrong was the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to identify candidates with suitable qualifications as Directors, select and nominate such candidates for directorship and provide recommendations to the Board accordingly; regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations to the Board for any proposed changes.

SUFFICIENCY OF PUBLIC FLOAT

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

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.

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

Hong Kong, 26 August 2019

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