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**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 2022**

**HIGHLIGHTS**

- Sales for the year ended 31 December 2022 amounted to approximately RMB27,781,412,000, representing an increase of approximately 16.5% when compared with the year of 2021.
- For the year ended 31 December 2022, percentage of sportswear products sales to total sales was approximately 75.1%. Sales of sportswear products increased significantly by approximately 18.5% when compared with the year of 2021, primarily due to growing demand for sportswear products in Europe and the United States.
- For the year ended 31 December 2022, percentage of casual wear products sales to total sales was approximately 20.7%. Sales of casual wear products increased significantly by approximately 21.8% when compared with the year of 2021, primarily due to buoyant demand for casual wear products in Japan.

\* *for identification purposes only*

- For the year ended 31 December 2022, percentage of lingerie wear products sales to total sales was approximately 3.0%. Sales of lingerie wear products decreased by approximately 21.3% when compared with the year of 2021, primarily due to falling demand for lingerie in Japan.
- For the year ended 31 December 2022, percentage of other knitwear products (mainly masks) sales to total sales was approximately 1.2%. Sales of other knitwear products decreased by approximately 27.8% when compared with the year of 2021, which was mainly attributable to decreased sales of masks.
- Gross profit margin stood at approximately 22.1% in 2022, representing a decrease of 2.2 percentage points from last year. Gross profit for the year ended 31 December 2022 amounted to approximately RMB6,125,849,000, representing an increase of approximately 5.8% when compared with the year of 2021.
- Net profit after tax for the year ended 31 December 2022 amounted to approximately RMB4,563,165,000, representing a significant increase of approximately 35.3% when compared with the year of 2021. The main reason for that is the boom in sales of sportswear and casual wear products, and the gain in foreign exchange.
- Proposed to declare a final dividend of HKD0.85 per ordinary share, and together with interim dividend declared of HKD1.06 per ordinary share, the total dividend proposed to be declared for the year of 2022 was HKD1.91 per ordinary share, representing an increase of approximately 17.2% when compared with HKD1.63 per ordinary share of 2021. Based on the year-end exchange rate, the dividend payout ratio in 2022 was approximately 56.2%, representing a decrease of approximately 4.1% when compared with approximately 60.3% for the year of 2021.

The board of directors (the “**Board**”, each a “**Director**”) 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 2022, together with the comparative amounts for the corresponding year of 2021 as follows.

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>REVENUE</b>	4	<b>27,781,412</b>	23,845,006
Cost of sales		<u><b>(21,655,563)</b></u>	<u>(18,055,359)</u>
Gross profit		<b>6,125,849</b>	5,789,647
Other income	5	<b>484,518</b>	429,355
Selling and distribution expenses		<b>(204,250)</b>	(231,658)
Administrative expenses		<b>(1,954,478)</b>	(1,978,495)
Finance costs	6	<b>(228,359)</b>	(144,036)
Other gains/(expenses), net	5	<b>1,060,195</b>	(48,760)
Share of profits and losses of associates		<u><b>(21,402)</b></u>	<u>7,263</u>
<b>PROFIT BEFORE TAX</b>	7	<b>5,262,073</b>	3,823,316
Income tax expenses	8	<u><b>(698,908)</b></u>	<u>(451,637)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>4,563,165</b></u>	<u>3,371,679</u>
Attributable to:			
Owners of the parent		<b>4,562,783</b>	3,371,702
Non-controlling interests		<u><b>382</b></u>	<u>(23)</u>
		<u><b>4,563,165</b></u>	<u>3,371,679</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic and diluted			
For profit for the year		<u><b>RMB3.04</b></u>	<u>RMB2.24</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>4,563,165</u></b>	<b><u>3,371,679</u></b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>482,795</u>	<u>(141,942)</u>
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	<u>482,795</u>	<u>(141,942)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX</b>	<b><u>482,795</u></b>	<b><u>(141,942)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>5,045,960</u></b>	<b><u>3,229,737</u></b>
<b>Attributable to:</b>		
Owners of the parent	5,045,578	3,229,766
Non-controlling interests	<u>382</u>	<u>(29)</u>
	<b><u>5,045,960</u></b>	<b><u>3,229,737</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b>	2021
		<b>RMB'000</b>	<b>RMB'000</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>11,593,702</b>	11,130,174
Right-of-use assets		<b>1,735,380</b>	1,574,134
Intangible assets		<b>124,993</b>	110,288
Long-term time deposits at banks	<i>14</i>	<b>2,940,984</b>	1,710,000
Long-term prepayments		<b>263,949</b>	331,018
Investments in associates		<b>573,964</b>	600,698
Equity investments designated at fair value through other comprehensive income		<b>720</b>	720
Deferred tax assets		<b>94,639</b>	165,433
		<hr/>	<hr/>
Total non-current assets		<b>17,328,331</b>	15,622,465
<b>CURRENT ASSETS</b>			
Inventories		<b>6,260,803</b>	6,635,605
Trade and bills receivables	<i>11</i>	<b>5,005,167</b>	3,501,551
Prepayments and other receivables		<b>445,162</b>	653,052
Amounts due from related parties		<b>2,850</b>	3,616
Financial assets at fair value through profit or loss	<i>13</i>	<b>3,195,232</b>	2,413,823
Pledged deposits	<i>14</i>	<b>725,934</b>	3,501,015
Bank deposits with an initial term of over three months	<i>14</i>	<b>3,159,888</b>	3,113,156
Cash and cash equivalents	<i>14</i>	<b>7,369,498</b>	6,687,623
		<hr/>	<hr/>
Total current assets		<b>26,164,534</b>	26,509,441
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	<b>931,593</b>	1,386,514
Contract liabilities		<b>13,461</b>	6,630
Other payables and accruals		<b>1,670,595</b>	1,586,053
Amounts due to related parties		<b>8,672</b>	84
Financial liabilities at fair value through profit or loss		<b>9,816</b>	–
Interest-bearing bank borrowings		<b>7,197,684</b>	10,212,171
Lease liabilities		<b>29,548</b>	25,919
Tax payable		<b>398,068</b>	315,060
		<hr/>	<hr/>
Total current liabilities		<b>10,259,437</b>	13,532,431

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>NET CURRENT ASSETS</b>	<u>15,905,097</u>	<u>12,977,010</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>33,233,428</u>	<u>28,599,475</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing bank borrowings	2,000,000	376,508
Lease liabilities	87,059	106,870
Deferred tax liabilities	<u>380,585</u>	<u>333,034</u>
Total non-current liabilities	<u>2,467,644</u>	<u>816,412</u>
<b>NET ASSETS</b>	<u><u>30,765,784</u></u>	<u><u>27,783,063</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	151,200	151,200
Reserves	<u>30,601,718</u>	<u>27,619,379</u>
	<u>30,752,918</u>	<u>27,770,579</u>
<b>Non-controlling interests</b>	<u>12,866</u>	<u>12,484</u>
Total equity	<u><u>30,765,784</u></u>	<u><u>27,783,063</u></u>

*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 certain wealth management products and equity investments 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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3

Amendments to HKAS 16

Amendments to HKAS 37

*Annual Improvements to  
HKFRSs 2018-2020*

*Reference to the Conceptual Framework*

*Property, Plant and Equipment: Proceeds before Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract*

Amendments to HKFRS 1, HKFRS 9, Illustrative Examples  
accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
  
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
  
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.



(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

### 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*

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	7,074,146	7,568,345
European Union	6,215,018	4,732,599
United States of America	4,873,358	3,805,130
Japan	3,926,014	3,346,908
Other regions	5,692,876	4,392,024
	<u>27,781,412</u>	<u>23,845,006</u>

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

(b) *Non-current assets*

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Mainland China	6,305,326	6,181,279
Vietnam	4,664,913	4,636,652
Cambodia	2,502,255	2,083,262
Other regions	245,530	244,421
	<u>13,718,024</u>	<u>13,145,614</u>

The non-current asset information above is based on the locations of the assets and excludes long-term time deposits at banks, investments in associates, equity investments designated at fair value through other comprehensive income 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A	8,630,511	7,077,244
Customer B	5,833,540	4,700,214
Customer C	4,863,067	4,931,209
Customer D	3,465,645	3,336,767

**4. REVENUE**

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Sale of goods – at a point in time	<u>27,781,412</u>	<u>23,845,006</u>

## 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	<u>5,867</u>	<u>5,847</u>

- (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.

## 5. OTHER INCOME, OTHER GAINS/(EXPENSES), NET

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Other income</b>		
Government grants	172,632	172,601
Interest income	278,126	224,496
Rental income	33,651	32,258
Dividend income from equity investments at fair value through other comprehensive income	<u>109</u>	<u>–</u>
	<u>484,518</u>	<u>429,355</u>
<b>Other gains/(expenses), net</b>		
Fair value (losses)/gains, net:		
Derivative instruments – transactions not qualifying as hedges	(107,004)	120,979
Financial assets at fair value through profit or loss – mandatorily classified as such	77,210	19,956
Gain on disposal of items of right-of-use assets	–	192
Loss on disposal of items of property, plant and equipment	(16)	(2,178)
Foreign exchange differences, net	1,105,563	(173,214)
Others	<u>(15,558)</u>	<u>(14,495)</u>
	<u>1,060,195</u>	<u>(48,760)</u>

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings	223,146	138,317
Interest on lease liabilities	5,213	5,719
	<u>228,359</u>	<u>144,036</u>

## 7. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	21,649,619	18,050,496
Depreciation of items of property, plant and equipment	1,308,458	1,073,788
Depreciation of right-of-use assets	72,587	66,882
Amortisation of intangible assets	17,856	15,446
Lease payments not included in the measurement of lease liabilities	42,322	38,376
Auditor's remuneration	3,595	3,535
Employee benefit expense (including directors' and chief executive's remuneration:		
Wages and salaries	6,716,614	6,638,662
Pension scheme contributions (defined contribution scheme)*	690,005	639,276
Other benefits	288,121	289,473
	<u>7,694,740</u>	<u>7,567,411</u>

	<i>Note</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Foreign exchange differences, net		<b>(1,105,563)</b>	173,214
Impairment of inventories, net		<b>531</b>	36,085
Impairment of trade receivables, net		–	1,371
Impairment of other receivables, net		<b>(1,924)</b>	(700)
Fair value losses/(gains), net:			
Derivative instruments			
– transactions not qualifying as hedges	5	<b>107,004</b>	(120,979)
Financial assets at fair value through profit or loss			
– mandatorily classified as such	5	<b>(77,210)</b>	(19,956)
Interest income	5	<b>(278,126)</b>	(224,496)
Loss on disposal of items of property, plant and equipment	5	<b>16</b>	2,178
Gain on disposal of items of right-of-use assets		<b>–</b>	(192)

\* *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

## 8. INCOME TAX

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
Current Hong Kong profits tax	<b>4,120</b>	35,858
Current overseas withholding tax	<b>4,126</b>	3,144
Current Vietnam profits tax	<b>77,529</b>	62,652
Current Cambodia profits tax	<b>96</b>	2
Current Macao profits tax	<b>188,846</b>	196,692
Current Mainland China corporate income tax (“CIT”)	<b>305,846</b>	198,598
Deferred taxation	<b>118,345</b>	(45,309)
	<b>698,908</b>	451,637

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.

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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% (2021: 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 but minimum tax on annual turnover at a tax rate of 1% 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% (2021: 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, two subsidiaries are entitled to enjoy a lower profits tax rate of 10%. Furthermore, one is entitled to an exemption from income tax for four years ended 31 December 2019 and a 50% reduction for the nine years from 1 January 2020. The other is entitled to an exemption from income tax for four years ended 31 December 2020 and a 50% reduction for the nine years from 1 January 2021.

Pursuant to Macao's relevant tax legislations, the subsidiaries incorporated in Macao are subject to income tax at a rate of 12% of the accessible profits arising in Macao during the current year.

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 tax at a 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 2022. A subsidiary is qualified as a micro and small company and entitled to a concessionary rate of income tax of 2.5%.

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 2022 and 2021 is as follows:

	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Profit before tax	<b><u>5,262,073</u></b>	<u>3,823,316</u>
Tax at the statutory tax rate of 25% (2021: 25%)	<b>1,315,518</b>	955,829
Lower tax rates for specific jurisdictions or enacted by local authorities	<b>(556,669)</b>	(617,819)
Additional deductible allowance for qualified research and development costs	<b>(66,995)</b>	(46,859)
Adjustments in respect of current tax of previous periods	<b>(36)</b>	2,656
Profits attributable to associates	<b>5,351</b>	(1,816)
Income not subject to tax	<b>(24,805)</b>	(18)
Expenses not deductible for tax	<b>5,251</b>	15,396
Overseas withholding tax	<b>4,126</b>	3,144
Tax losses not recognised during the year	<b>46,729</b>	149,560
Utilisation of previously unrecognised tax losses	<b><u>(29,562)</u></b>	<u>(8,436)</u>
	<b><u>698,908</u></b>	<u>451,637</u>

## 9. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interim – HK\$1.06 (2021: HK\$1.06) per ordinary share	1,362,689	1,325,881
Proposed final – HK\$0.85 (2021: HK\$0.57) per ordinary share	<u>1,141,404</u>	<u>700,550</u>
	<u><u>2,504,093</u></u>	<u><u>2,026,431</u></u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 10. 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 (2021: 1,503,222,397) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 31 December 2021.

The calculation of basic and diluted earnings per share is based on:

### Earnings

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	<u><u>4,562,783</u></u>	<u><u>3,371,702</u></u>



## Shares

	Number of shares	
	2022	2021
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	<u>1,503,222,397</u>	<u>1,503,222,397</u>

## Earnings per share

	2022	2021
	<i>RMB</i>	<i>RMB</i>
Basic and diluted	<u>3.04</u>	<u>2.24</u>

## 11. TRADE AND BILLS RECEIVABLES

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade and bills receivables	<u>5,005,167</u>	<u>3,501,551</u>

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 bill receivables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within three months	<b>4,837,645</b>	3,477,609
Three to six months	<b>120,671</b>	16,086
Over six months	<b>46,851</b>	7,856
	<b><u>5,005,167</u></b>	<u>3,501,551</u>

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

	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Neither past due nor impaired	<b>4,784,869</b>	3,446,440
Less than three months past due	<b>155,465</b>	47,953
Over three months past due	<b>64,833</b>	7,158
	<b><u>5,005,167</u></b>	<u>3,501,551</u>

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:

	2022		2021	
	Original currency <i>in thousand</i>	RMB equivalent <i>RMB'000</i>	Original currency <i>in thousand</i>	RMB equivalent <i>RMB'000</i>
US\$	482,077	3,357,473	363,918	2,320,229
RMB		<u>1,647,694</u>		<u>1,181,322</u>
		<u><b>5,005,167</b></u>		<u><b>3,501,551</b></u>

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

## 12. 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:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within six months	903,431	1,359,690
Six months to one year	13,715	7,796
One year to two years	1,418	8,432
Over two years	<u>13,029</u>	<u>10,596</u>
	<u><b>931,593</b></u>	<u><b>1,386,514</b></u>

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

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial products issued by financial institutions*	3,155,061	2,292,844
Derivative instruments – transactions not qualifying as hedges**	<u>40,171</u>	<u>120,979</u>
	<u><u>3,195,232</u></u>	<u><u>2,413,823</u></u>

\* *The above financial products were wealth management products issued by banks in Mainland China. 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. 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.*

\*\* *Forward currency contracts with a total nominal amount of US\$580,000,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised gain on the fair value of these financial derivatives amounting to RMB120,979,000 was included in the statement of profit or loss during the year ended 31 December 2021.*

\*\* *Foreign currency swaps with a total nominal amount of US\$110,000,000 are not designated for hedge purposes and are measured at fair value through profit or loss. An unrealised gain on the fair value of these financial derivatives amounting to RMB40,171,000 was included in the statement of profit or loss during the year ended 31 December 2022. At 31 December 2022, bank deposits of EUR97,796,559 (approximately RMB725,934,000) were restricted until certain foreign currency swaps held by the Group are settled, of which EUR44,863,167 (approximately RMB333,015,000) has been frozen until 20 January 2023 and EUR52,933,392 (approximately RMB392,919,000) has been frozen until 23 February 2023.*

#### 14. CASH AND BANK BALANCES AND TIME DEPOSITS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash and bank balances	7,097,073	6,055,358
Time deposits	<u>7,099,231</u>	<u>8,956,436</u>
	<b>14,196,304</b>	15,011,794
Less:		
Deposits pledged for foreign swap settlement ( <i>note 13</i> )	(725,934)	(2,990,959)
Deposits pledged for short term bank loans*	–	(510,056)
Bank deposits with an initial term of over three months	(3,159,888)	(3,113,156)
Long-term time deposits at banks	<u>(2,940,984)</u>	<u>(1,710,000)</u>
Cash and cash equivalents	<u><b>7,369,498</b></u>	<u><b>6,687,623</b></u>

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to approximately RMB6,004,624,000 (31 December 2021: RMB3,170,631,000). 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 3 months and 36 months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits 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.

Cash and cash equivalents include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2022, bank deposits held by the Group with original maturity of more than three months, which can be withdrawn on demand without prior notice to banks, were RMB272,000,000 (31 December 2021: RMB632,000,000).

\* *As at 31 December 2022, there were no time deposits (31 December 2021: US\$80,000,000) pledged to secure bank loans granted to the Group.*

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

#### Business Review

In 2022, the Group achieved sales revenue of approximately RMB27,781,412,000, representing an increase of 16.5% over the previous year, hitting a record high for the Group. Profit attributable to owners of the parent amounted to RMB4,562,783,000, representing a significant increase of 35.3% over the previous year, including the contribution of exchange gain to profit before tax of approximately RMB1,105,563,000. During the year, the Group's Ningbo base experienced a-half-month partial suspension twice due to the impact of the COVID-19 pandemic. In addition, the weakened demand in the global market led to an increase in customers' inventory pressure, which affected the Group's capacity utilisation in the second half of the year to a certain extent. Despite the great impact of the pandemic on the stability of the supply chain, the Group completed the delivery of orders to customers on time during the year. At the same time, under the dual pressure of fluctuating demand and rising costs, the Group strived to stabilise the employment of its staff, protect the income of employees, and achieved growth in both revenue and results. During the year under review, the Group further consolidated the foundation for the long-term development of the enterprise, and achieved remarkable results in promoting green production, accelerating corporate transformation and strengthening employee care.

The Group accelerated the promotion of green and low-carbon actions, further optimised the energy structure, and improved the utilisation rate of energy and materials. The Group has built rooftop photovoltaic power stations in its domestic bases in Ningbo and Anhui, as well as its overseas bases in Cambodia and Vietnam, and is further expanding the scope of construction of photovoltaic power generation projects. Currently, the total installed capacity of solar power plants completed and put into operation is approximately 45MW. In 2022, the Group had approximately 20 million kWh of self-generated, self-consumed green electricity through rooftop photovoltaic power stations, and purchased approximately 16 million kWh of green electricity from external parties. During the year, the Group's newly built reclaimed water recycling project in the fabric factory in Vietnam has been put into use, which further increased the Group's recycling of water resources. In addition, the Group further strengthened the terminal treatment effect of pollutants, enhanced the recycling efforts of waste materials, and converted certain production facilities to improve the efficiency of energy utilization.

During the year, the Group accelerated the transformation and upgrading of enterprises and further consolidated the foundation of lean production. The Company continued to expand the application of automated equipment in the upstream and downstream of the industrial chain, increased investment in the development of digital management, promoted the enterprises to respond more quickly to market demand, improved the enterprises' short-term delivery capabilities, and also promoted the synergy and efficiency among various enterprise departments. In addition to the expansion of the scale of newly built overseas factories, human efficiency and output have also been continuously improved. With the increase in the number of new employees, the production capacity of overseas factories will be further released. In addition, the Group also strengthened the quality control of the production process, promoted the quality improvement of the whole process from fabric to garment, and further improved the product yield rate.

The Group has always attached great importance to the care for employees and continued to improve the remuneration and living conditions of employees. During the year, our Ningbo base partially suspended production twice due to the pandemic. The Group not only ensured the relatively stable income of employees during the suspension, but also introduced a special allowance policy for employees who were subject to quarantine due to the pandemic in January 2022, bringing warmth and reassurance to employees in difficult times. In addition, the Group continued to improve the accommodation conditions of its employees. In the past two years, our Ningbo base built and delivered a high-standard staff dormitory of approximately 100,000 square metres. During the year, a new dormitory of over 50,000 square meters started construction, and a certain proportion of suites were allocated to employees who are couples. The Group believes that stable, high-quality and skilled employees are important elements for the sustainable development of the enterprise.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2022, sales was approximately RMB27,781,412,000, representing an increase of approximately RMB3,936,406,000 or approximately 16.5% from approximately RMB23,845,006,000 for the year ended 31 December 2021. The increase in sales for the year was mainly attributable to the increase in demand for orders from major customers in international markets such as Europe and the United States. During the year, the Group's overseas production bases resumed normal production capacity due to the relaxation of pandemic control by the local government, and the production capacity of new factories continued to expand, while the Ningbo base in China was temporarily and partially suspended for two times due to pandemic control, which offset the available production capacity of the Group; moreover, the average unit selling price of products increased due to the impact of rising costs and the appreciation of the US dollars.

The comparison of sales breakdown by product categories between 2022 and 2021 of the Group is as below:

	For the year ended 31 December					
	2022		2021		Change	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
By product						
Sports wear	<b>20,869,553</b>	<b>75.1</b>	17,612,128	73.9	3,257,425	18.5
Casual wear	<b>5,751,836</b>	<b>20.7</b>	4,720,735	19.8	1,031,101	21.8
Lingerie wear	<b>819,133</b>	<b>3.0</b>	1,040,246	4.4	(221,113)	(21.3)
Other knitwear	<b>340,890</b>	<b>1.2</b>	471,897	1.9	(131,007)	(27.8)
Total revenue	<b><u>27,781,412</u></b>	<b><u>100.0</u></b>	<b><u>23,845,006</u></b>	<b><u>100.0</u></b>	<b><u>3,936,406</u></b>	<b><u>16.5</u></b>

For the year ended 31 December 2022, sales of sportswear products was approximately RMB20,869,553,000, representing an increase of approximately RMB3,257,425,000 or approximately 18.5% from approximately RMB17,612,128,000 for the year ended 31 December 2021. The increase in sales of sportswear products was mainly attributable to the increase in demand for sportswear orders in the European and US markets.



Sales of casual wear products increased by approximately RMB1,031,101,000 or approximately 21.8% from approximately RMB4,720,735,000 for the year ended 31 December 2021 to approximately RMB5,751,836,000 for the year ended 31 December 2022. Such increase was mainly attributable to the increase in demand for casual wear in the Japan and other markets, which was offset by the decrease in demand in the China market.

Sales of lingerie products decreased by approximately RMB221,113,000 or approximately 21.3% from approximately RMB1,040,246,000 for the year ended 31 December 2021 to approximately RMB819,133,000 for the year ended 31 December 2022. Such decrease was mainly attributable to the decrease in procurement demand of lingerie wear from the Japanese market.

Sales of other knitwear products decreased by approximately RMB131,007,000 from approximately RMB471,897,000 for the year ended 31 December 2021 to approximately RMB340,890,000 for the year ended 31 December 2022. Such decrease was mainly attributable to the decrease in the sales of mask products to approximately RMB142,674,000 for the year, representing a decrease of approximately RMB136,788,000 as compared to that of previous year. Without taking into account the impact of mask products, revenue from other products increased by approximately 3.0% as compared with last year.

The comparison of revenue breakdown by markets between 2022 and 2021 of the Group is as below:

	For the year ended 31 December					
	2022		2021		Change	
	RMB'000	%	RMB'000	%	RMB'000	%
By markets						
Europe	6,215,018	22.4	4,732,599	19.8	1,482,419	31.3
US	4,873,358	17.5	3,805,130	16.0	1,068,228	28.1
Japan	3,926,014	14.1	3,346,908	14.0	579,106	17.3
Others	5,692,876	20.5	4,392,024	18.4	1,300,852	29.6
Sub-total revenue from international market	20,707,266	74.5	16,276,661	68.2	4,430,605	27.2
Revenue from China domestic market	7,074,146	25.5	7,568,345	31.8	(494,199)	(6.5)
Total revenue	<u>27,781,412</u>	<u>100.0</u>	<u>23,845,006</u>	<u>100.0</u>	<u>3,936,406</u>	<u>16.5</u>

For the year ended 31 December 2022, the Group's sales in the European market was approximately RMB6,215,018,000, representing an increase of approximately RMB1,482,419,000 or approximately 31.3% from approximately RMB4,732,599,000 for the year ended 31 December 2021. Such increase was mainly attributable to the increase in procurement demand for sportswear in the European market.

For the year ended 31 December 2022, the Group's sales in the U.S. market was approximately RMB4,873,358,000, representing an increase of approximately RMB1,068,228,000 or approximately 28.1% from approximately RMB3,805,130,000 for the year ended 31 December 2021. Such increase was mainly attributable to the increase in procurement demand for sportswear in the US market.

For the year ended 31 December 2022, the Group's sales in the Japanese market was approximately RMB3,926,014,000, representing an increase of approximately RMB579,106,000 or approximately 17.3% from approximately RMB3,346,908,000 for the year ended 31 December 2021. Such increase was mainly due to the increase in procurement demand for casual wear in the Japanese market.

For the year ended 31 December 2022, the Group's sales in other overseas markets was approximately RMB5,692,876,000, representing an increase of approximately RMB1,300,852,000 or approximately 29.6% from approximately RMB4,392,024,000 for the year ended 31 December 2021. Such increase was mainly attributable to the increase in products exported to Canada, Australia and certain Southeast Asian countries.

For the year ended 31 December 2022, the Group's sales in the China domestic market decreased by 6.5% as compared with last year. Among the sales from China domestic market, sales from apparels was approximately RMB6,904,658,000, representing a decrease of approximately RMB490,736,000 or approximately 6.6% from approximately RMB7,395,394,000 of last year. The decrease in the sales of China domestic market was mainly attributable to the decrease in procurement demand of international brands in domestic market, while the overall decrease in sales in the domestic market of the Group was offset by the increase in sales of domestic brands.

## **Cost of sales and gross profit**

For the year ended 31 December 2022, cost of sales of the Group was approximately RMB21,655,563,000 (2021: RMB18,055,359,000). The gross profit margin of the Group in 2022 was approximately 22.1%, representing a decrease of approximately 2.2 percentage points from 24.3% in 2021. The decrease in gross profit margin for the year was mainly due to: 1) the increase in the price of raw materials, energy and other production elements; 2) in January and October 2022, the Group's production base in Ningbo was partially suspended for approximately half a month each due to the impact of the COVID-19 pandemic, which affected the effective production and increased the expenses related to the pandemic; and 3) due to the decline in global consumer demand, the production utilisation rate in the second half of the year was insufficient, yet the Group did not lay off employees or shrink the scale of production capacity.

## **Equity attributable to owners of the parent**

As at 31 December 2022, the Group's equity attributable to owners of the parent amounted to approximately RMB30,752,918,000 (2021: RMB27,770,579,000), in which non-current assets were approximately RMB17,328,331,000 (2021: RMB15,622,465,000), net current assets were approximately RMB15,905,097,000 (2021: RMB12,977,010,000), non-current liabilities were approximately RMB2,467,644,000 (2021: RMB816,412,000) and equity attributable to non-controlling interests were approximately RMB12,866,000 (2021: RMB12,484,000). The increase in equity attributable to owners of the parent was mainly due to: 1) the Group's operating profit for the year increased its reserves; and 2) the increase in reserves was offset by the payment of dividends to owners of the parent.

## Liquidity and Financial Resources

For the year ended 31 December 2022, the net cash generated from the Group's operating activities was approximately RMB4,628,120,000, while it was approximately RMB3,594,348,000 in 2021. The cash and cash equivalents of the Group as at 31 December 2022 was approximately RMB7,369,498,000, in which approximately RMB1,374,624,000 was denominated in RMB, approximately RMB5,941,640,000 was denominated in USD, approximately RMB13,941,000 was denominated in HKD, approximately RMB26,948,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies (2021: RMB6,687,623,000, of which approximately RMB1,360,631,000 was denominated in RMB, approximately RMB4,286,417,000 was denominated in USD, approximately RMB981,439,000 was denominated in EUR, approximately RMB29,781,000 was denominated in HKD, approximately RMB26,689,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies). The balance of bank borrowings was approximately RMB9,197,684,000 (2021: RMB10,588,679,000, of which the short-term bank borrowings was approximately RMB10,212,171,000, and long-term bank borrowings was approximately RMB376,508,000), including short-term bank borrowings of approximately RMB7,197,684,000 and long-term bank borrowings of approximately RMB2,000,000,000. The Group's net borrowings (bank borrowings less cash and cash equivalents) as at 31 December 2022 was approximately RMB1,828,186,000, as compared to the net borrowings of approximately RMB3,901,056,000 as at 31 December 2021, represented a decrease of approximately RMB2,072,870,000, which was mainly due to the decrease in the Group's treasury investments and the repayment of certain bank loans during the year, and the increase in net cash inflow from operating activities.

Equity attributable to owners of the parent amounted to approximately RMB30,752,918,000 (2021: RMB27,770,579,000). 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) was 29.9% (2021: 38.1%), representing a decrease of 8.2 percentage points as compared with the end of last year. As at 31 December 2022, in addition to cash and cash equivalents, the Group also held other deposit financial assets of approximately RMB10,022,038,000, which can be used as the source of capital for debt adjustment.

As a part of the overall treasury management policies of the Group, the Group purchased financial products from various licensed banks of China (including financial assets at fair value through profit or loss and fixed deposits) to maximize the return brought by idle money of the Group through legal and low risk channels. The results of applicable size tests for purchasing the financial products were lower than 5%. Thus, the purchases were not subject to the notifiable transaction requirements under Chapter 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 Company. Please refer to notes 13 and 14 to the financial statements in this preliminary results announcement for details of such financial products.

### **Pledge of assets of the Group**

As at 31 December 2022, the Group has contracted with a domestic bank to use deposit denominated in EUR amounted to approximately RMB725,934,000 (original EUR97,796,559) to settle certain foreign currency swaps held by the Group, such portion of EUR amount has been frozen, of which RMB333,015,000 (original EUR44,863,167) has been frozen until 20 January 2023, and RMB392,919,000 (original EUR52,933,392) has been frozen until 23 February 2023. Other than that, we have no pledged or restricted asset.

### **Financing costs and tax**

For the year ended 31 December 2022, our financing costs increased to approximately RMB228,359,000 from approximately RMB144,036,000 for the year ended 31 December 2021, representing an increase in finance costs of approximately RMB84,323,000, which was mainly due to the increase in interest expenses of the Group’s loans denominated in USD and HKD as a result of the increase in interest rates of the corresponding currencies during the year.

For the year ended 31 December 2022, the income tax expense of the Group was approximately RMB698,908,000, which increased by RMB247,271,000 from approximately RMB451,637,000 for the year ended 31 December 2021, which was mainly due to the increase in the Group’s total profit for the year and the increase in profit of domestic subsidiaries with relatively higher income tax rate as compared with the previous year.

## **Exposure to Foreign Exchange**

As the Group's sales were mainly settled in USD, while its procurement was 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 amount applied for hedging depends on the Group's revenue, procurement and capital expenditure in USD, as well as the market forecast of fluctuations in the exchange rate of USD against RMB.

In order to avoid any decrease and volatility in value of future cash flows caused by any change in exchange rate of RMB against USD, the Group has arranged certain amount of loans denominated in USD and loans denominated in HKD with linked exchange rate with USD. Amongst total bank borrowings as at 31 December 2022, loans of approximately RMB576,171,000 were denominated in USD (calculated based on the original currency of approximately USD82,729,000) and loans of RMB3,771,513,000 were denominated in HKD (calculated based on the original currency of HKD4,222,000,000) (31 December 2021: loans of approximately RMB4,368,760,000 were denominated in USD (calculated based on the original currency of approximately USD685,220,000) and loans of approximately RMB1,389,920,000 were denominated in HKD (calculated based on the original currency of HKD1,700,000,000)). In addition, as at 31 December 2022, the Group still possessed certain outstanding forward foreign exchange contracts, pursuant to which, the Group contracted to sell foreign exchange of USD210,000,000 to a bank and receive corresponding amounts in Renminbi at an average settlement price of approximately RMB6.8304 per USD1.

## **Employment, Training and Development**

As at 31 December 2022, the Group employed approximately 94,340 employees in total. During the year, the total staff costs, including administrative and management staff, accounted for approximately 27.7% (2021: 31.7%) of the Group's revenue. The total staff costs as a proportion of the income decreased by approximately 4 percentage points as compared with last year, which was primarily attributable to the increase in the proportion of overseas staff with relatively low salaries to the total number of employees of the Group. 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 forms 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 were required to attend an introductory course, while there were also various types of training courses available for all employees to attend.

## **Capital Expenditure and Capital Commitments**

During the year, the Group's total investment in property, plant and equipment, and prepaid land lease payments amounted to approximately RMB1,567,052,000, of which approximately 54% was used for the acquisition of production equipment, approximately 36% was used for construction and acquisition of new factory buildings and land lease prepayments, and the remaining balance was used for the purchase of other fixed assets.

As at 31 December 2022, the Group had contracted capital commitments of approximately RMB407,417,000 in connection with the acquisition and construction of the land use right, property, plant and equipment, which will be mainly financed by internal resources and bank borrowings.

## **Significant Investments, Acquisitions and Disposals**

During the year ended 31 December 2022, the Group did not have any significant investments, acquisitions and disposals that are discloseable.

## **Gearing ratio**

As at 31 December 2022, the Group's gearing ratio was 29.9%, calculated based on the ratio of the total outstanding borrowings to the equity attributable to owners of the parent.

## **Contingent Liabilities**

As at 31 December 2022, the Group had no significant contingent liabilities.



## **Future Prospects and Strategies**

At present, the inflation in developed economies has slowed down, but it is still at a high level, and the pace of interest rate hike has shown signs of slowing down, but the monetary policy has continued to tighten. Geopolitical conflicts are still ongoing and the uncertainty in the trade environment is increasing. The weak recovery momentum of the world economy has led to the continuous slowdown of external demand becoming the biggest pressure faced by export enterprises. Domestically, due to the continuous impact of the epidemic in the past three years, the growth of residents' income has slowed down, and the consumption power and consumer confidence have been affected. Although the Chinese government has relaxed the control of the epidemic, the uncertainty of consumption recovery still exists. At present, the textile and apparel industry is generally facing the situation of weak demand and insufficient orders. However, it is believed that the industry is currently in the stage of bottoming out and recovery, and the market demand is in the process of recovery. After the previous inventory treatment, the inventory pressure of brand owners has been greatly reduced, and inflation has declined, and external demand is expected to recover. In the domestic market, with the changes in epidemic prevention and control measures, the vitality of economic and social development is increasing. The suppressed consumption due to the epidemic is gradually recovering, and the introduction of government policies to expand domestic demand and promote consumption will also drive the growth of domestic demand.

The Group has successfully overcome many difficulties in 2022, including the suspension of production due to the pandemic, rising costs and slowing demand, and will still face various challenges in its future development. We will continue to focus on the improvement of corporate competitiveness and the enhancement of sustainable development capabilities, especially further optimisation or exploration of potential in terms of global layout, product diversification, new customer expansion and talent team building, and strive to create development opportunities in adversity.

The Group has a good foundation in its global layout, and overseas production capacity has become an important part of the Group. We will further optimise the global layout of production bases, expand the geographical coverage in a timely manner, and better meet the procurement needs of customers in different markets. At the same time, we will further improve the management ability and automation level of overseas factories, and promote the continuous improvement of production efficiency of overseas factories.

The Group will enhance the development capability of new products to provide customers with more diversified products. The development of new products not only adheres to high quality, but also integrates environmental protection and functionality. Environmental protection will focus on the introduction and research and development of low-carbon technologies, exploration and promotion of green production processes, and the use of low-carbon and environmentally friendly raw materials. The functionality of the product is to better meet the differentiated wearing needs of consumers in different life scenarios.

The Group attaches great importance to continuously improving its comprehensive service capabilities for customers and better satisfying various needs of customers. On the one hand, it will consolidate existing core customers and increase the proportion of procurement from existing customers. On the other hand, it will introduce new customers in a timely manner, especially broaden the suitable customer base through product diversification, so as to drive the continuous growth of business.

The Group will further strengthen the construction of talent team, and the achievements made in the global layout reflect that the Group has a good foundation in talent training and output. The concentration of talents and the convergence of values are one of the important factors driving the continuous growth of the Group. With the continuous expansion of the Group's scale and the matching of talent strategy and business strategy, it will be an important step for sustainable development. In particular, it is essential to strengthen the rejuvenation and specialisation of the talent team to promote the global layout of the Group's industry.

In view of the current industry environment, due to the weak global demand for clothing, major customers would still be in the process of destocking, it is expected that the Group's production capacity utilisation rate in the first half of 2023 will not reach the desired level, and the operating revenue may decline as compared to the same period in 2022. In view of the changes in demand situation, it is expected that the overall trend will gradually pick up in the second half of 2023.

Under the adverse environment of economic downturn and weak demand, the Group will continue to enhance its competitiveness to consolidate its leading position in the industry. We believe that we will be a strong player in the industry. The Group has a clear understanding of the difficulties it faces and is confident in its future development!

## **EVENTS AFTER THE REPORTING PERIOD**

There were no events after the reporting period that had significant impacts on the Group after 31 December 2022 and up to the date of this announcement.

## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HKD0.85 (equivalent to approximately RMB0.76) per ordinary share for the year ended 31 December 2022 to shareholders whose names appear on the register of members of the Company on 14 June 2023. 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 30 May 2023 and subject to such approval having been obtained, the payment of such dividend is expected to be on or around 26 June 2023.

## **BOOK CLOSURE**

The register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023, 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 Tuesday, 23 May 2023.

The register of members of the Company will be closed from Friday, 9 June 2023 to Wednesday, 14 June 2023, 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 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 Thursday, 8 June 2023.

## **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 Listing Rules since 9 October 2005. The Company had complied with all the code provisions of the CG Code throughout the year ended 31 December 2022.

### **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 of Hong Kong Limited (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 C.1.4 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 2022, 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 its independent non-executive Directors in respect of his or her 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 A.2.1 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 and making recommendations; training and continuous professional development of Directors and senior management; policies and practices on 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 F.2.2 set out in the CG Code, the Company invited representatives of the external auditors of the Company to attend the AGM of the Company to be convened on 30 May 2023 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 shareholders' communication policy is to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its implementation and effectiveness. 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 2022.

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 2022, 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 2022.

## **SHARE OPTION SCHEME**

No share option scheme was operated by the Company as at 31 December 2022.

## **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 2022 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 at the publication of this announcement, the Audit Committee comprises four independent non-executive Directors, namely Mr. Jiang Xianpin, Ms. Liu Chunhong, Mr. Liu Xinggao 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 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 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 the 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 2022. During the year, the Audit Committee also met with the external auditors twice with full attendance, to discuss the audit procedures and accounting issues.

## **REMUNERATION COMMITTEE**

The Company established the Remuneration Committee in compliance with the CG Code on 9 October 2005. As at the publication of this announcement, the Remuneration Committee comprises Mr. Ma Renhe, an executive Director, and Mr. Zhang Bingsheng, Mr. Jiang Xianpin and Ms. Liu Chunhong, who are independent non-executive Directors. Mr. Zhang Bingsheng 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 publication of this announcement, the Nomination Committee comprises Mr. Ma Jianrong, an executive Director, Mr. Liu Xinggao, Mr. Jiang Xianpin and Mr. Zhang Bingsheng, who are independent non-executive Directors. Mr. Ma Jianrong is the chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to identify candidates with suitable qualifications as Directors, select and nominate such candidates for directorship and provide recommendations to the Board accordingly; regularly review the structure, size and 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 2022 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 of the results.

## **PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE**

The annual report of the Company for the year ended 31 December 2022, 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](http://www.hkex.com.hk)) and the Company's website ([www.shenzhouintl.com](http://www.shenzhouintl.com)) in due course and in any event before 30 April 2023.

## **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, at 10 a.m. on 30 May 2023. 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, 28 March 2023

*As at the date of this announcement, the five executive Directors 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. Jiang Xianpin, Mr. Zhang Bingsheng, Mr. Liu Xinggao and Ms. Liu Chunhong.*