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 2023

HIGHLIGHTS

- Sales for the year ended 31 December 2023 amounted to approximately RMB24,969,792,000, representing a decrease of approximately 10.1% when compared with the year of 2022.

- For the year ended 31 December 2023, percentage of sportswear products sales to total sales was approximately 72.2%. Sales of sportswear products decreased by approximately 13.6% when compared with the year of 2022, primarily due to falling demand for sportswear products in Europe and the United States.

- For the year ended 31 December 2023, percentage of casual wear products sales to total sales was approximately 22.7%. Sales of casual wear products decreased slightly by approximately 1.4% when compared with the year of 2022, primarily due to falling demand for casual wear products in Japan and other markets.

* *for identification purposes only*

- For the year ended 31 December 2023, percentage of lingerie wear products sales to total sales was approximately 4.3%. Sales of lingerie wear products increased by approximately 30.2% when compared with the year of 2022, primarily due to higher demand for lingerie in Japan and other markets.

- For the year ended 31 December 2023, percentage of other knitwear products sales to total sales was approximately 0.8%. Sales of other knitwear products decreased significantly by approximately 41.6% when compared with the year of 2022, mainly attributable to the discontinued production of masks in 2023. Excluding mask products, sales of other knitwear products increased slightly by approximately 0.4% when compared with last year.

- Gross profit margin stood at approximately 24.3% in 2023, representing an increase of 2.2 percentage points from last year. Gross profit for the year ended 31 December 2023 amounted to approximately RMB6,059,876,000, representing a decrease of approximately 1.1% when compared with the year of 2022.

- Net profit after tax for the year ended 31 December 2023 amounted to approximately RMB4,557,263,000, representing a slight decrease of approximately 0.1% when compared with the year of 2022.

- It is proposed to declare a final dividend of HKD1.08 per ordinary share, and together with interim dividend declared of HKD0.95 per ordinary share, the total dividend proposed to be declared for the year of 2023 was HKD2.03 per ordinary share, representing an increase of approximately 6.3% when compared with HKD1.91 per ordinary share of 2022. The dividend payout ratio in 2023 was approximately 60.3%.

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 2023, together with the comparative amounts for the corresponding year of 2022 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*4*	**24,969,792**	27,781,412
Cost of sales		**(18,909,916)**	(21,655,563)
Gross profit		**6,059,876**	6,125,849
Other income	*5*	**1,055,331**	484,518
Selling and distribution expenses		**(164,164)**	(204,250)
Administrative expenses		**(1,881,274)**	(1,954,478)
Finance costs	*6*	**(345,805)**	(228,359)
Other gains/(expenses), net	*5*	**258,700**	1,060,195
Share of profits and losses of associates		**12,837**	(21,402)
PROFIT BEFORE TAX	*7*	**4,995,501**	5,262,073
Income tax expenses	*8*	**(438,238)**	(698,908)
PROFIT FOR THE YEAR		**4,557,263**	4,563,165
Attributable to:			
Owners of the parent		**4,557,263**	4,562,783
Non-controlling interests		**–**	382
		4,557,263	4,563,165
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic and diluted			
For profit for the year (RMB)		**3.03**	3.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**4,557,263**	4,563,165
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**9,295**	482,795
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**9,295**	482,795
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9,295**	482,795
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,566,558**	5,045,960
Attributable to:		
Owners of the parent	**4,566,558**	5,045,578
Non-controlling interests	**–**	382
	4,566,558	5,045,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,930,784**	11,593,702
Right-of-use assets		**1,960,809**	1,735,380
Intangible assets		**128,528**	124,993
Long-term time deposits at banks	*14*	**6,655,454**	2,940,984
Long-term prepayments		**327,710**	263,949
Investments in associates		**13,470**	573,964
Equity investments designated at fair value through other comprehensive income		**720**	720
Deferred tax assets		**114,174**	94,639
Total non-current assets		**20,131,649**	17,328,331
CURRENT ASSETS			
Inventories		**6,124,735**	6,260,803
Trade and bills receivables	*11*	**5,023,635**	5,005,167
Prepayments and other receivables		**441,072**	445,162
Amounts due from related parties		**3,341**	2,850
Financial assets at fair value through profit or loss	*13*	**803,889**	3,195,232
Pledged deposits	*14*	**14,712**	725,934
Bank deposits with an initial term of over three months	*14*	**4,471,651**	3,159,888
Cash and cash equivalents	*14*	**11,596,453**	7,369,498
Total current assets		**28,479,488**	26,164,534
CURRENT LIABILITIES			
Trade payables	*12*	**1,198,212**	931,593
Contract liabilities		**23,353**	13,461
Other payables and accruals		**1,602,793**	1,670,595
Amounts due to related parties		**3,558**	8,672
Financial liabilities at fair value through profit or loss		**–**	9,816
Interest-bearing bank borrowings		**10,203,968**	7,197,684
Lease liabilities		**47,344**	29,548
Tax payable		**305,255**	398,068
Total current liabilities		**13,384,483**	10,259,437

	2023	2022
	RMB'000	*RMB'000*
NET CURRENT ASSETS	**15,095,005**	15,905,097
TOTAL ASSETS LESS CURRENT LIABILITIES	**35,226,654**	33,233,428
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,900,000**	2,000,000
Lease liabilities	**110,758**	87,059
Deferred tax liabilities	**348,580**	380,585
Total non-current liabilities	**2,359,338**	2,467,644
NET ASSETS	**32,867,316**	30,765,784
EQUITY		
Equity attributable to owners of the parent		
Share capital	**151,200**	151,200
Reserves	**32,716,116**	30,601,718
	32,867,316	30,752,918
Non-controlling interests	**–**	12,866
Total equity	**32,867,316**	30,765,784

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**") 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

    Prior to the initial application of these amendments, the Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

    The adoption of amendments to HKAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

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

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**7,124,052**	7,074,146
European Union	**5,027,285**	6,215,018
United States of America	**3,879,987**	4,873,358
Japan	**3,675,539**	3,926,014
Other regions	**5,262,929**	5,692,876
Total revenue	**24,969,792**	27,781,412

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**6,002,770**	6,305,326
Vietnam	**4,391,634**	4,664,913
Cambodia	**2,725,300**	2,502,255
Other regions	**228,127**	245,530
Total non-current assets	**13,347,831**	13,718,024

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:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**7,696,598**	8,630,511
Customer B	**6,001,903**	5,833,540
Customer C	**3,691,682**	4,863,067
Customer D	**2,490,745**	3,465,645

4. REVENUE

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods – at a point in time	**24,969,792**	27,781,412

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	**13,461**	5,867

(ii) Performance obligations

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

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

	2023	2022
	RMB'000	*RMB'000*
Other income		
Government grants	**250,305**	172,632
Interest income	**778,904**	278,126
Rental income	**25,888**	33,651
Dividend income from equity investments at fair value through other comprehensive income	**234**	109
Total	**1,055,331**	484,518
Other gains, net		
Fair value gains/(losses), net:		
Derivative instruments – transactions not qualifying as hedges	**991**	(107,004)
Financial assets at fair value through profit or loss – mandatorily classified as such	**73,579**	77,210
Gain on disposal of items of right-of-use assets	**9,427**	–
Gain/(loss) on disposal of items of property, plant and equipment	**39,702**	(16)
Foreign exchange differences, net	**150,577**	1,105,563
Others	**(15,576)**	(15,558)
Total	**258,700**	1,060,195

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on bank borrowings	**338,078**	223,146
Interest on lease liabilities	**7,727**	5,213
Total	**345,805**	228,359

7. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**18,904,165**	21,649,619
Depreciation of items of property, plant and equipment	**1,343,267**	1,308,458
Depreciation of right-of-use assets	**110,238**	72,587
Amortisation of intangible assets	**20,740**	17,856
Lease payments not included in the measurement of lease liabilities	**2,665**	42,322
Auditor's remuneration	**3,700**	3,595
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**6,006,514**	6,716,614
Pension scheme contributions (defined contribution scheme)*	**691,343**	690,005
Other benefits	**284,274**	288,121
	6,982,131	7,694,740

	Note	2023 RMB'000	2022 RMB'000
Foreign exchange differences, net		**(150,577)**	(1,105,563)
Impairment of inventories, net		**124,804**	531
Impairment of trade receivables, net		**269**	–
Impairment of other receivables, net		**(1,963)**	(1,924)
Fair value losses/(gains), net:			
Derivative instruments			
– transactions not qualifying as hedges	*5*	**(991)**	107,004
Financial assets at fair value through profit or loss			
– mandatorily classified as such	*5*	**(73,579)**	(77,210)
Interest income	*5*	**(778,904)**	(278,126)
Gain/(loss) on disposal of items of property, plant and equipment	*5*	**(39,702)**	16
Gain on disposal of items of right-of-use assets		**(9,427)**	–

* *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 2023 and 2022 are:

	2023 RMB'000	2022 RMB'000
Current Hong Kong profits tax	**3,170**	4,120
Current overseas withholding tax	**43,315**	4,126
Current Vietnam profits tax	**92,840**	77,529
Current Cambodia profits tax	**142**	96
Current Macao profits tax	**187,190**	188,846
Current Chinese Mainland corporate income tax ("**CIT**")	**163,121**	305,846
Deferred taxation	**(51,540)**	118,345
Total	**438,238**	698,908

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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK$2,000,000 (2022: 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% (2022: 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 for businesses not entitled to tax exemption are subject to tax at a rate of 1% for the corresponding income 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% (2022: 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.

Two subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%. Under the laws and regulations of Vietnam, the 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 nine years from 1 January 2020. The other subsidiary is entitled to an exemption from income tax for four years ended 31 December 2020 and a 50% reduction for 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. Two subsidiaries are qualified as micro and small companies and entitled to a concessionary rate of income tax of 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 2023 and 2022 is as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**4,995,501**	5,262,073
Tax at the statutory tax rate of 25% (2022: 25%)	**1,248,875**	1,315,518
Lower tax rates for specific jurisdictions or enacted by local authorities	**(777,431)**	(556,669)
Additional deductible allowance for qualified research and development costs	**(64,824)**	(66,995)
Adjustments in respect of current tax of previous periods	**(25,498)**	(36)
Profits attributable to associates	**(3,209)**	5,351
Income not subject to tax	**(14,383)**	(24,805)
Expenses not deductible for tax	**6,725**	5,251
Overseas withholding tax	**43,315**	4,126
Tax losses not recognised during the year	**68,964**	46,729
Utilisation of previously unrecognised tax losses	**(44,296)**	(29,562)
Tax charge at the effective rate	**438,238**	698,908

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Interim – HK$0.95 (2022: HK$1.06) per ordinary share	**1,316,672**	1,362,689
Proposed final – HK$1.08 (2022: HK$0.85) per ordinary share	**1,471,198**	1,141,404

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 (2022: 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 2023 and 31 December 2022.

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

Earnings

	2023	2022
	RMB'000	*RMB'000*
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**4,557,263**	4,562,783

Shares

	Number of shares	
	2023	2022
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculation	**1,503,222,397**	1,503,222,397

Earnings per share

	2023	2022
	RMB	*RMB*
Basic and diluted	**3.03**	3.04

11. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade and bills receivables	**5,023,635**	5,005,167

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:

	2023	2022
	RMB'000	*RMB'000*
Within three months	**4,888,706**	4,837,645
Three to six months	**110,121**	120,671
Over six months	**24,808**	46,851
Total	**5,023,635**	5,005,167

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

	2023	2022
	RMB'000	*RMB'000*
Neither past due nor impaired	**4,770,643**	4,784,869
Less than three months past due	**223,446**	155,465
Over three months past due	**29,546**	64,833
Total	**5,023,635**	5,005,167

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:

	2023		2022	
	Original currency ***in thousand***	**RMB equivalent** ***RMB'000***	Original currency *in thousand*	RMB equivalent *RMB'000*
US$	**485,026**	**3,435,297**	482,077	3,357,473
RMB		**1,588,338**		1,647,694
Total		**5,023,635**		5,005,167

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:

	2023	2022
	RMB'000	*RMB'000*
Within six months	**1,183,301**	903,431
Six months to one year	**2,974**	13,715
One year to two years	**2,177**	1,418
Over two years	**9,760**	13,029
Total	**1,198,212**	931,593

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

	2023	2022
	RMB'000	*RMB'000*
Financial products issued by financial institutions*	**803,889**	3,155,061
Derivative instruments – transactions not qualifying as hedges	**–**	40,171
Total	**803,889**	3,195,232

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

14. CASH AND BANK BALANCES AND TIME DEPOSITS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**10,539,092**	7,097,073
Time deposits	**12,199,178**	7,099,231
	22,738,270	14,196,304
Less:		
Deposits pledged for foreign swap settlement	**–**	(725,934)
Deposits pledged for construction payment guarantee	**(14,712)**	–
Bank deposits with an initial term of over three months	**(4,471,651)**	(3,159,888)
Long-term time deposits at banks	**(6,655,454)**	(2,940,984)
Cash and cash equivalents	**11,596,453**	7,369,498

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to approximately RMB10,962,855,000 (31 December 2022: RMB6,004,624,000). The RMB is not freely convertible into other currencies. However, under Chinese Mainland'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 2023, 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 RMB637,643,000 (31 December 2022: RMB272,000,000).

* *As at 31 December 2023, there were no time deposits (31 December 2022: Nil) pledged to secure bank loans granted to the Group.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND FUTURE PROSPECTS AND STRATEGIES

Business Review

In 2023, the Group achieved sales revenue of approximately RMB24,969,792,000, representing a decrease of 10.1% over the previous year. Profit attributable to owners of the parent amounted to RMB4,557,263,000, representing a slight decrease of 0.1% over the previous year. Sales revenue for the year decreased compared with the previous year, mainly due to the decline in consumer demand for apparel products in the European and US markets and the decrease in purchase orders from brand owners due to destocking. During the year, the Group's overall production capacity was not effectively utilized, and the gross profit margin failed to reach the ideal level. However, the gross profit margin in 2023 still increased by 2.2 percentage points compared with last year to 24.3%, mainly attributable to the gradual improvement of the operating efficiency of new overseas factories and the increase in the number of newly hired staff, which further unleashed the production capacity of our overseas factories and reduced the fixed operating cost per unit product. In addition, due to the lifting of COVID-19 prevention and control measures, the impact of epidemic-related expenses on performance has been eliminated. With the gradual recovery of the Group's overall capacity utilization rate, the gross profit margin in the second half of the year increased by 3.4 percentage points to 25.8% from 22.4% in the first half. During the year, in addition to stabilizing the existing experienced staff team, the Group continued to recruit new staff and maintain a reasonable size of workforce based on the changing trends of the business; we also made some progress on the research and development and marketing of new products. During the year under review, the Group stepped up its transformation to a green and low-carbon production model; improved the operating performance of overseas factories; and promoted value chain collaboration with partners.

During the year, the Group has made further progress in reducing carbon emission, and the proportion of green energy to total energy consumption increased significantly. Through our own rooftop photovoltaic power generation, purchasing green electricity from external parties, green energy certificate trading and other measures, approximately 50% of the Group's electricity were green energy. As of the end of 2023, the Group's total installed photovoltaic power generation capacity has reached approximately 75MW, an increase of approximately 65% over the previous year. Overseas production bases further included biomass as basic fuel, and the annual biomass consumption increased by approximately 167% as compared with last year. The amount of treated sewage recycled increased by approximately 47% as compared with last year. In addition, our cooperation with upstream fiber production companies has promoted the recycling of waste textile products in the form of recycled fibers.

The operational performance of overseas factories has been further improved in terms of efficiency, scale, quality and other aspects. In 2023, the garment output of overseas factories accounted for approximately 53% of the Group's total garment output (2022: 46%). With the improvement of production efficiency and the expansion of workforce in the new factory in Cambodia, the proportion of the Cambodia base's garment output in the Group's total garment output increased to approximately 26% (2022: 22%) in 2023, an increase of approximately 4 percentage points from the previous year. In 2023, the annual average number of employees of our overseas bases accounted for approximately 57% (2022: 52%) of the Group's total average number of employees, representing a year-on-year increase of approximately 5 percentage points. During the year, the Group further improved the integrated support in accessories, printing, embroidery and other production processes provided to overseas factories, effectively improving the short-delivery capabilities of overseas factories.

The Group attached great importance to achieve long-term mutual benefit and win-win results with its partners. Through the synergy of value chain, the Group strived to improve production efficiency, enhanced innovation capabilities and optimized resource allocation, and took into account the interests of all parties, with an aim to achieve the best results for the value chain in general and jointly respond to market challenges. During the year, we further improved the information transmission mechanism with relevant parties and improved the transparency of data and information in the supply chain, which are conducive to improving the efficiency of management decision-making. In respect of production site selection, we emphasized exchange of opinions with the upstream and downstream of the industrial chain, which is conducive to reducing the logistics costs and enhancing supply chain's response speed. We have guided and selected our suppliers based on the value and synergy they could bring to the industrial chain, and drove the construction of a clean and efficient procurement system.

FINANCIAL REVIEW

Sales

For the year ended 31 December 2023, sales was approximately RMB24,969,792,000, representing a decrease of approximately RMB2,811,620,000 or approximately 10.1% from approximately RMB27,781,412,000 for the year ended 31 December 2022. The decrease in sales for the year was mainly due to: weak demand in the global market, in particular, where demand in the European and US markets declined significantly. During the year, most of the retail brand owners were in the process of further reducing early inventory, which affected customers' purchasing demand for the current period.

The comparison of sales breakdown by product categories of the Group between 2023 and 2022 is as follows:

	For the year ended 31 December					
	2023		2022		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Sportswear	**18,031,526**	**72.2**	20,869,553	75.1	(2,838,027)	(13.6)
Casual wear	**5,672,653**	**22.7**	5,751,836	20.7	(79,183)	(1.4)
Lingerie wear	**1,066,643**	**4.3**	819,133	3.0	247,510	30.2
Other knitwear	**198,970**	**0.8**	340,890	1.2	(141,920)	(41.6)
Total sales	**24,969,792**	**100.0**	27,781,412	100.0	(2,811,620)	(10.1)

For the year ended 31 December 2023, sales of sportswear products were approximately RMB18,031,526,000, representing a decrease of approximately RMB2,838,027,000 or approximately 13.6% from approximately RMB20,869,553,000 for the year ended 31 December 2022. The decrease in sales of sportswear products was mainly due to the decrease in demand for sportswear orders in the European and US market.

Sales of casual wear products decreased by approximately RMB79,183,000 or approximately 1.4% from approximately RMB5,751,836,000 for the year ended 31 December 2022 to approximately RMB5,672,653,000 for the year ended 31 December 2023, which was mainly attributable to the decrease in sales of casual wear products in the Japanese and other overseas markets.

Sales of lingerie wear products increased by approximately RMB247,510,000 or approximately 30.2% from approximately RMB819,133,000 for the year ended 31 December 2022 to approximately RMB1,066,643,000 for the year ended 31 December 2023, which was mainly attributable to the increase in demand for lingerie wear products in the Japanese and other overseas markets.

Sales of other knitwear decreased by approximately RMB141,920,000 from approximately RMB340,890,000 for the year ended 31 December 2022 to approximately RMB198,970,000 for the year ended 31 December 2023, The decrease was mainly due to the fact that sales of other knitwear last year included approximately RMB142,674,000 from mask products, and there were no sales of mask products for the year. Excluding the effect of mask products, the sales of other knitwear increased by 0.4% as compared with last year.

The comparison of sales breakdown by markets of the Group between 2023 and 2022 is as follows:

	For the year ended 31 December					
	2023		2022		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By market						
Europe	**5,027,285**	**20.1**	6,215,018	22.4	(1,187,733)	(19.1)
US	**3,879,987**	**15.6**	4,873,358	17.5	(993,371)	(20.4)
Japan	**3,675,539**	**14.7**	3,926,014	14.1	(250,475)	(6.4)
Other markets	**5,262,929**	**21.1**	5,692,876	20.5	(429,947)	(7.6)
Sub-total revenue from international market	**17,845,740**	**71.5**	20,707,266	74.5	(2,861,526)	(13.8)
Revenue from China domestic markets	**7,124,052**	**28.5**	7,074,146	25.5	49,906	0.7
Total sales	**24,969,792**	**100.0**	27,781,412	100.0	(2,811,620)	(10.1)

For the year ended 31 December 2023, the Group's sales in the European market was approximately RMB5,027,285,000, representing a decrease of approximately RMB1,187,733,000 or approximately 19.1% from approximately RMB6,215,018,000 for the year ended 31 December 2022. Such decrease was mainly due to the decrease in demand for sportswear in the European market.

For the year ended 31 December 2023, the Group's sales in the US market was approximately RMB3,879,987,000, representing a decrease of approximately RMB993,371,000 or approximately 20.4% from approximately RMB4,873,358,000 for the year ended 31 December 2022. Such decrease was mainly due to the decrease in demand for sportswear in the US market.

For the year ended 31 December 2023, the Group's sales in the Japan market was approximately RMB3,675,539,000, representing a decrease of approximately RMB250,475,000 or approximately 6.4% from approximately RMB3,926,014,000 for the year ended 31 December 2022. Such decrease was mainly due to the decrease in demand for casual wear in the Japan market, as well as the cessation of sales of mask products to the Japan market during the year.

For the year ended 31 December 2023, sales in other overseas markets was approximately RMB5,262,929,000, representing a decrease of approximately RMB429,947,000 or approximately 7.6% from approximately RMB5,692,876,000 for the year ended 31 December 2022, which was mainly due to a decrease in products exported to Australia, India, Mexico and other countries.

For the year ended 31 December 2023, the Group's sales in China domestic market increased by 0.7% as compared with last year. Among the sales in China domestic market, sales from apparels was approximately RMB6,964,278,000, representing an increase of approximately RMB59,620,000 or approximately 0.9% from approximately RMB6,904,658,000 of last year. The increase in the sales in China domestic market was mainly attributable to the increase in procurement demand of casual wear in the Mainland China market.

Cost of sales and gross profit

For the year ended 31 December 2023, cost of sales of the Group was approximately RMB18,909,916,000 (2022: RMB21,655,563,000). The gross profit margin of the Group in 2023 was approximately 24.3%, representing an increase of approximately 2.2 percentage points from 22.1% in 2022. The increase in gross profit margin for the year was mainly due to: 1) the Group's overall production utilisation rate in the second half of the year having increased as compared with the same period last year; 2) the operating efficiency of new overseas factories having improved gradually, the number of new employees having further increased, and the profits contribution from overseas factories having increased; and 3) during the year, as Mainland China lifted the prevention and control measures for COVID-19 and the impact of epidemic-related expenses on current year's results has been eliminated accordingly.

Equity attributable to owners of the parent

As at 31 December 2023, the Group's equity attributable to owners of the parent amounted to approximately RMB32,867,316,000 (2022: RMB30,752,918,000), in which non-current assets were approximately RMB20,131,649,000 (2022: RMB17,328,331,000), net current assets were approximately RMB15,095,005,000 (2022: RMB15,905,097,000), non-current liabilities were approximately RMB2,359,338,000 (2022: RMB2,467,644,000) and equity attributable to non-controlling interests were approximately RMB Nil (2022: RMB12,866,000). The increase in equity attributable to owners of the parent was mainly due to: 1) the Group's operating profit for the year having increased its reserves; and 2) the increase in reserves being offset by the payment of dividends to owners of the parent.

Liquidity and Financial Resources

For the year ended 31 December 2023, the net cash generated from the Group's operating activities was approximately RMB5,226,525,000, while it was approximately RMB4,628,120,000 in 2022. The Group's cash and cash equivalents as at 31 December 2023 amounted to approximately RMB11,596,453,000, of which approximately RMB5,878,154,000 was denominated in Renminbi, approximately RMB5,669,442,000 was denominated in US dollar, approximately RMB19,588,000 was denominated in Hong Kong dollar, approximately RMB25,546,000 was denominated in VND and the remaining balance was denominated in other currencies (2022: approximately RMB7,369,498,000, of which approximately RMB1,374,624,000 was denominated in Renminbi, approximately RMB5,941,640,000 was denominated in US dollar, approximately RMB13,941,000 was denominated in Hong Kong dollar, approximately RMB26,948,000 was denominated in VND, and the balance was denominated in other currencies). The balance of bank borrowings was approximately RMB12,103,968,000, of which short-term bank borrowings was approximately RMB10,203,968,000 and long-term bank borrowings was approximately RMB1,900,000,000 (2022: RMB9,197,684,000, of which short-term bank borrowings was approximately RMB7,197,684,000, and long-term bank borrowings was approximately RMB2,000,000,000). The Group's net borrowings (bank borrowings less cash and cash equivalents) as at 31 December 2023 was approximately RMB507,515,000, as compared to the net borrowings of approximately RMB1,828,186,000 as at 31 December 2022, represented a decrease of approximately RMB1,320,671,000, which was mainly due to the increase in the Group's net cash inflow from operating activities.

Equity attributable to owners of the parent amounted to approximately RMB32,867,316,000 (2022: RMB30,752,918,000). 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 36.8% (2022: 29.9%), representing an increase of 6.9 percentage points as compared with the end of last year. As at 31 December 2023, in addition to cash and cash equivalents, the Group also held other deposit financial assets of approximately RMB11,945,706,000, which can be used as the source of capital for debt adjustment.

As part of the general treasury management policies of the Group, the Group purchased financial products (including financial assets at fair value through profit or loss and fixed deposits) from a number of licensed banks in China to maximize the return from the Group's ideal funds through a legal channel with low risk. The results of the applicable size test about the purchase of these financial products were all below 5% and therefore these purchases were 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. For details of these financial products, please refer to Note 13 and 14 to the financial statements in this preliminary results announcement.

Finance costs and tax

For the year ended 31 December 2023, finance costs increased by approximately RMB117,446,000 to approximately RMB345,805,000 from approximately RMB228,359,000 for the year ended 31 December 2022. The increase in finance costs 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, partially offset by the decrease in RMB lending rate.

For the year ended 31 December 2023, the income tax expense of the Group was approximately RMB438,238,000, which decreased by RMB260,670,000 from approximately RMB698,908,000 for the year ended 31 December 2022, which was mainly due to the increase in profit of overseas subsidiaries with relatively lower income tax rate during the year as compared with the previous year.

Exposure to Foreign Exchange

As the Group's sales was 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 the total bank borrowings as at 31 December 2023, borrowings of approximately RMB1,600,113,000 were denominated in USD (calculated based on the original currency of approximately USD225,918,000) and loans of RMB5,003,855,000 were denominated in HKD (calculated based on the original currency of HKD5,521,800,000) (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 approximately RMB3,771,513,000 were denominated in HKD (calculated based on the original currency of HKD4,222,000,000)).

Employment, Training and Development

As at 31 December 2023, the Group employed approximately 92,030 employees in total. During the year, the total staff costs, including administrative and management staff, accounted for approximately 28.0% (2022:27.7%) of the Group's sales. The total staff costs as a proportion of the income increased by approximately 0.3 percentage points as compared with last year. 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 RMB1,059,526,000, of which approximately 42% was used for the acquisition of production equipment, approximately 53% 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 2023, the Group had contracted capital commitments of approximately RMB956,201,000 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 2023, the Group had no significant investments, significant acquisitions and disposals in relation to our subsidiaries, associates and joint ventures that were required to be disclosed.

Gearing Ratio

As at 31 December 2023, the Group's gearing ratio was 36.8%, calculated base on the ratio of the total outstanding borrowings to the equity attributable to owners of the parent.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liability.

Future Prospects and Strategies

At present, global inflationary pressure has been significantly reduced, and the market expects that the interest rate hike cycle in major developed economies may have ended. The Federal Reserve's policy focus will shift from controlling inflation to seeking a balance between stabilizing growth and controlling inflation. Interest rate cut is likely to happen in the coming year, which will help boost consumer demand. As brand owners nearly finish destocking, consumer demand for apparel products in overseas market is likely to pick up to a certain extent, but the subsequent impact of high interest rate policies in developed economies will still exist. Moreover, 2024 is a year of elections for the globe, the uncertainties on the global political and economic landscape brought by the election results, together with the unresolved geopolitical conflicts, will further weaken the growth momentum of the global economy and may impact the stability of global trade. In China, overcapacity caused by insufficient demand has affected the growth rate of private investment, but this will not affect the positive rebound of China's economic, and the current relatively loose monetary policy will help stimulate additional investment by enterprises. At the same time, as the impact of the epidemic subsides, residents' income will further recover. With the support from the government's policies to promote consumption, stabilize investment and expand domestic demand, the rising trend of China's domestic apparel products consumption demand is likely to continue.

In 2023, insufficient market demand had adversely affected the effective utilization of the Group's production capacity. However, the Group believes that this impact is short-term and partial, and is confident that through the implementation of a series of strategic measures, it can achieve sustainable business growth in the future. In addition to the existing production bases in Vietnam and Cambodia, the Group is actively considering further expanding the scale of overseas production capacity to better meet the procurement needs of customers in different markets, and further enhance the Group's global resource integration capabilities.

In the future, the Group's development will mainly focus on the following aspects: accelerate the application of intelligent manufacturing and digital management in the industry; improve the Group's green and low-carbon development system; promote the development of diversified and high-end products; improve the abilities and qualities of front-line management officials.

The Group will continue to explore new development model in the industry, aiming to enhance the Company's production and manufacturing efficiency and improve management decisions accuracy. Depending on the actual situation, we will continue to enlarge the application of intelligent and automated equipment and production line, explore and improve textile intelligent manufacturing system solutions, and develop and optimize intelligent manufacturing industrial software with the application of textile sensors, intelligent testing equipment, and machine vision technology. We will also further shorten our delivery cycle and respond swiftly to customer's order through the application of digital and intelligent technologies in the entire industry chain.

The Group will continue to optimize our green development model through green carbon reduction actions in equipment application, process improvement, resource reuse, energy structure, raw material selection, terminal processing and other areas. We will further reduce resource consumption per unit of output with the help of advanced energy-saving technology and equipment, and will reduce total pollutant emission at source by optimizing our production processes. Our Group will sort and store scraps, leftovers and other waste textiles by category to improve the quality and scale of resource recovery and recycling, and will strengthen our cooperation with upstream fiber manufacturing companies to increase the utilization rate of waste textiles as recycled fiber raw materials, as well as to improve the reuse rate of heat, water and chemicals. The proportion of clean energy in our energy mix will be increased by using more photovoltaic power, wind power, biomass, natural gas and other clean energy. Besides, we will attach great importance to the use of green raw materials, such as green dyes, auxiliaries, catalysts and regenerated fibers, in our operation, as well as to the research on advanced treatment technologies and the investment in treatment facilities for wastewater, waste gas and other pollutants.

While adhering to its core business, the Group will further expand our product mix and provide customers with more product offerings. At the same time, we will attach significant importance to the application of new fiber materials in the development of high-end textile fabrics and increase investment in the research and development of innovative and functional products. In order to enhance the comprehensive strength of our laboratories and the successful conversion rate of R&D projects, the Group will recruit and cultivate high-quality professional talents and strengthen scientific research cooperation with external institutions. Strengthen cooperation and coordination with the upstream and downstream of the industrial chain, continue to sort out and develop corporate standards, and enhance our abilities to lead innovation.

In the coming years, the Group plans to recruit and cultivate a group of outstanding on-site management officials through the implementation of the action plan "Young Seedlings Plan (青苗計劃)", with an aim to continuously improving the management level of the production site. Meanwhile, we will create high-quality jobs by further improving the software and hardware of the production site, and will promote the application of automation and digital intelligence in the entire industry chain, and further strengthen lean management and material control in the production process. The Group will further optimize our salary system to enhance the incentive effect of employee performance appraisal under a fair and transparency system.

Looking forward to 2024, many challenges and uncertainties in the industry still exist, but the Group has made a good start and believes that our business will return to growth in the year to come.

Amid the intensive competition, those strive for advancement will always stand out. The Group will continue to focus on laying concrete foundation for its operation, strengthening sustainable development capabilities, enhancing the Company's long-term competitiveness in the industry, and is committed to providing the best services to customers, providing high-quality products to consumers, and creating ideal returns for investors!

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that had significant impacts on the Group after 31 December 2023 and up to the date of this announcement..

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HKD1.08 (equivalent to approximately RMB0.98) per ordinary share for the year ended 31 December 2023 to shareholders whose names appear on the register of members of the Company on 12 June 2024. However, the proposed payment of the dividend shall be subject to approval by shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on 28 May 2024 and subject to such approval having been obtained, the payment of such dividend is expected to be on 20 June 2024.

BOOK CLOSURE

The register of members of the Company will be closed from Thursday, 23 May 2024 to Tuesday, 28 May 2024, both dates inclusive, during which period no transfer of shares will be registered. In order to establish the identity of the shareholders who are entitled to attend and vote at the AGM, all transfer forms, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2024.

The register of members of the Company will be closed from Friday, 7 June 2024 to Wednesday, 12 June 2024, 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, 6 June 2024.

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 C1 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 2023.

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 2023, 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 to be held on 28 May 2024 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 2023.

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 2023, 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 had purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2023.

SHARE SCHEME

No share scheme was operated by the Company as at 31 December 2023.

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 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 2023 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 (the "**HKICPA**") and the provisions of the CG Code and are subject to amendments in response to the regulatory requirements from time to time (including the Listing Rules).

The Audit Committee has reviewed with the management and the external auditors of the Company 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 2023. 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, three 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, three 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 2023 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 2023, which contains all the information required by the Listing Rules, will be sent to shareholders and published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (www.shenzhouintl.com) in due course and in any event before 30 April 2024.

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 28 May 2024. Notice of the AGM will be published and issued in due course.

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

Hong Kong, 26 March 2024

As at the date of this announcement, the four executive Directors are Mr. Ma Jianrong, Mr. Huang Guanlin, Mr. Ma Renhe and Mr. Wang Cunbo and the four independent non-executive Directors are Mr. Jiang Xianpin, Mr. Zhang Bingsheng, Mr. Liu Xinggao and Ms. Liu Chunhong.