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

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2313)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

- Sales for the six months ended 30 June 2017 amounted to approximately RMB8,263,585,000, representing an increase of 18.9% when compared with the corresponding period of 2016.
- Percentage of sportswear products sales to total sales was approximately 66.8% for the six months ended 30 June 2017. Revenue from sale of sportswear products increased by approximately 22.9% when compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 24.9% for the six months ended 30 June 2017. Revenue from sale of casual wear products increased by approximately 17.7% when compared with the corresponding period of the previous year.
- Percentage of lingerie products sales to total sales was approximately 7.5% for the six months ended 30 June 2017. Revenue from sale of lingerie products decreased by approximately 5.3% when compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2017 amounted to approximately RMB2,616,343,000, an increase of 18.1% when compared with the corresponding period of 2016. Gross profit margin decreased by 0.2 percentage point to 31.7%.
- Net profit attributable to owners of the Company for the six months ended 30 June 2017 amounted to approximately RMB1,798,664,000, an increase of approximately 24.1% when compared with the corresponding period of 2016.
- Basic earnings per share were RMB1.27, representing an increase of approximately 22.1% from RMB1.04 for the corresponding period last year.
- The Board had resolve to declare an interim dividend of HK$0.70 per share (for the six months ended 30 June 2016: Nil).

* *for identification purposes only*

The board (the "Board") of directors (the "Directors") of Shenzhou International Group Holdings Limited ("Shenzhou International" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017 (the "reporting period"), together with the comparative amounts for the corresponding period of 2016. The interim results and interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2017

		Unaudited For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**8,263,585**	6,951,773
Cost of sales	*5*	**(5,647,242)**	(4,735,992)
Gross profit		**2,616,343**	2,215,781
Other income	*6*	**400,507**	330,911
Selling and distribution expenses	*5*	**(214,045)**	(166,456)
Administrative expenses	*5*	**(592,312)**	(519,965)
Other expenses	*7*	**(65,357)**	(53,746)
Finance costs	*8*	**(66,521)**	(53,724)
Share of profits of an associate		**1,551**	993
PROFIT BEFORE TAX		**2,080,166**	1,753,794
Income tax expense	*9*	**(294,768)**	(303,763)
Profit for the period		**1,785,398**	1,450,031
Attributable to:			
Owners of the Company		**1,798,664**	1,449,896
Non-controlling interests		**(13,266)**	135
		1,785,398	1,450,031
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic			
– For profit for the period		**RMB1.27**	RMB1.04
Diluted			
– For profit for the period		**RMB1.22**	RMB0.99

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Unaudited For the six months ended 30 June **2017** *RMB'000*	2016 *RMB'000*
Profit for the period	**1,785,398**	1,450,031
Other comprehensive income		
Exchange gain on translation of foreign operations	**12,194**	85,845
Other comprehensive income for the period, net of tax	**12,194**	85,845
Total comprehensive income for the period	**1,797,592**	1,535,876
Attributable to:		
Owners of the Company	**1,815,875**	1,535,741
Non-controlling interests	**(18,283)**	135
	1,797,592	1,535,876

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**7,018,984**	7,013,037
Prepaid land lease payments	12	**978,054**	923,172
Intangible assets	12	**100,874**	105,228
Pledged deposits		**500,000**	500,000
Long-term time deposits at banks		**150,000**	350,000
Long-term prepayments	15	**45,899**	78,328
An investment in an associate		**8,724**	7,173
Deferred tax assets		**7,516**	3,629
Total non-current assets		**8,810,051**	8,980,567
CURRENT ASSETS			
Inventories	13	**4,341,319**	3,699,090
Trade and bills receivables	14	**2,402,518**	2,652,707
Prepayments, deposits and other receivables	15	**913,238**	674,236
Amounts due from related parties	22b	**1,827**	826
Entrusted loans		**150,000**	150,000
Available-for-sale investments	16	**2,915,000**	3,120,000
Pledged deposits		**300,000**	—
Bank deposits with an initial term of over three months		**547,355**	433,452
Cash and cash equivalents		**1,972,595**	2,105,184
Total current assets		**13,543,852**	12,835,495
CURRENT LIABILITIES			
Trade payables	17	**864,239**	758,217
Advances from customers		**11,708**	16,650
Other payables and accruals	18	**667,887**	787,074
Interest-bearing bank borrowings		**1,664,102**	1,241,433
Amounts due to a related party	22b	**2,384**	—
Tax payable		**253,523**	291,108
Total current liabilities		**3,463,843**	3,094,482
NET CURRENT ASSETS		**10,080,009**	9,741,013
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,890,060**	18,721,580

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
NON-CURRENT LIABILITIES			
Convertible bonds	*19*	**525,897**	3,410,145
Deferred tax liabilities		**3,197**	1,833
Total non-current liabilities		**529,094**	3,411,978
Net assets		**18,360,966**	15,309,602
EQUITY			
Equity attributable to owners of the Company			
Share capital		**149,784**	142,105
Reserves		**18,012,807**	14,950,839
		18,162,591	15,092,944
Non-controlling interests		**198,375**	216,658
Total equity		**18,360,966**	15,309,602

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL INFORMATION

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

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

These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 20 August 2017.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the revised standards and interpretations effective on 1 January 2017, noted below:

(a) Revised standards adopted by the Group

The Group has adopted the following revised standards for the first time for the financial year beginning 1 January 2017.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements 2014–2016 Cycle*	*Disclosure of Interests in Other Entities*

The adoption of these revised HKFRSs has had no significant financial effect on these financial statements.

(b) Issued but not effective HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK (IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK (IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKAS 28 included in *Annual Improvements 2014–2016 Cycle*	*Investments in Associates and Joint Ventures*[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

4. SEGMENT INFORMATION

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

Geographical information

(a) ***Revenue from external customers by location of goods delivery***

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Mainland China	**1,977,013**	1,651,105
European Union	**1,930,968**	1,519,001
Japan	**1,496,797**	1,484,553
United States of America	**1,025,146**	707,460
Other regions	**1,833,661**	1,589,654
	8,263,585	6,951,773

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Mainland China	**4,992,494**	4,816,266
Vietnam	**3,023,071**	3,161,473
Cambodia	**121,864**	135,094
Other regions	**6,382**	6,932
	8,143,811	8,119,765

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

Information about major customers

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Customer A	**2,393,026**	1,828,948
Customer B	**1,678,398**	1,598,332
Customer C	**1,629,304**	1,479,731
Customer D	**844,308**	580,756
	6,545,036	5,487,767

5. EXPENSES BY NATURE

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**2,192,404**	1,801,439
Retirement benefit contributions	**236,179**	110,994
Other benefits	**69,117**	71,754
	2,497,700	1,984,187
Depreciation, amortisation and impairment expenses	**385,057**	315,726
Changes in inventories of finished goods and work in progress	**(484,111)**	(196,772)
Raw materials and consumables utilized	**3,272,864**	2,647,141
Utilities expenses	**341,644**	294,662
Transportation expenses	**76,812**	63,005
Operating lease expenses for properties	**67,215**	47,416
Outsourcing	**41,570**	34,170
Office expenses	**40,177**	22,359
Repair expenses	**32,296**	27,672
Taxation	**31,397**	44,559
Charges for disposing pollutants	**14,883**	14,676
Traveling expenses	**9,208**	9,163
Entertainment expenses	**8,780**	9,254
Inspection fees	**6,515**	5,719
Donation	**1,248**	1,132
Other expenses	**110,344**	98,344
Total cost of sales, selling and distribution costs and administrative expenses	**6,453,599**	5,422,413

6. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Other income		
Government incentives	**314,832**	238,541
Bank interest income	**72,375**	63,523
Interest income from entrusted loans	**4,812**	15,685
Rental income	**8,488**	13,162
	400,507	330,911

7. OTHER EXPENSES

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Loss on disposal of items of property, plant and equipment	**22,598**	3,178
Rental cost	**4,866**	5,301
Exchange losses, net	**37,893**	45,267
	65,357	53,746

8. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**25,573**	6,901
Interest on convertible bonds	**40,948**	46,823
	66,521	53,724

9. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2017 and 2016 are:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**14,223**	3,271
Current Mainland China corporate income tax ("CIT")	**283,068**	298,590
Deferred taxation	**(2,523)**	1,902
	294,768	303,763

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. As the Company carries on business in Hong Kong, it is subject to Hong Kong profits tax at a rate of 16.5% (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong.

The subsidiaries incorporated in the British Virgin Islands ("BVI") are not subject to income tax as these subsidiaries do not have a place of business (but only a registered office) or carry on any business in the BVI. Accordingly, Top Always Investments Ltd. ("Top Always"), Buddies Investments Limited, Buddies Group Limited, Maxwin (B.V.I.) Limited and Gain Lucky Co., Ltd., subsidiaries incorporated in the BVI, are not subject to tax. As Top Always was engaged in the property leasing business in Hong Kong, it is subject to Hong Kong profits tax at a rate of 16.5% (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profit arising in Hong Kong.

Pursuant to the Law of Taxation in Cambodia, Shenzhou (Cambodia) Co., Ltd. ("Shenzhou Cambodia") and Daqian Textile (Cambodia) Co., Ltd. ("Daqian Cambodia"), wholly-owned subsidiaries incorporated in the Kingdom of Cambodia, are subject to income tax at a rate of 20%, and Daqian Cambodia is entitled to an exemption from income tax for the first four profit-making years starting from 2015. Shenzhou Cambodia had no assessable profits during the period.

Shenzhou Trading Company Limited, Top Always (Hong Kong) Investments Limited and Maxwin (Hong Kong) Limited, wholly-owned subsidiaries incorporated in Hong Kong, are subject to profits tax at a rate of 16.5% (for the six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong.

Shenzhou Japan Co., Ltd. ("Shenzhou Japan"), a wholly-owned subsidiary incorporated in Japan, under the Law of Taxation, is subject to income tax at a rate of 30% of the assessable profits arising in Japan. No provision for Japan income tax has been made as Shenzhou Japan had no assessable profits arising in Japan during the period.

Gain Lucky (Vietnam) Limited ("Gain Lucky Vietnam") and Worldon (Vietnam) Company Limited ("Worldon Vietnam"), wholly-owned subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%, and are entitled to be exempted from income tax for the first two profit-making years and subject to a lower tax rate of 10% from the third year to the sixth year. The period of tax privilege will start from the earlier of first profit-making year or the fourth year since its establishment. Furthermore, under the laws and regulations of Vietnam, provided that (a) the total investment of at least VND6,000 billion (approximately US$300 million) is paid by June 2016 and January 2018 for Gain Lucky Vietnam and Worldon Vietnam, respectively; and (b) it maintains a minimum annual revenue of US$500 million within three years from the date of generating revenue, or is employs more than 3,000 staff members within three years from the date on which revenue is first generated, it will be subject to a lower profits tax rate of 10%, and the profits tax will be waived for the four years and 50% of its profits tax will be waived for the nine years thereafter. Gain Lucky Vietnam had met the aforesaid criteria in 2016 and is entitled to enjoy the tax privilege. Worldon Vietnam had no assessable profits during the period.

No provision for Macao Complementary Tax has been made for Buddies (Macao Commercial Offshore) Limited ("Buddies Macao"), a wholly-owned subsidiary incorporated in Macao, as Buddies Macao is exempted from Macao Complementary Tax pursuant to Macao's relevant tax legislations.

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

During 2016, Ningbo Daqian Knitwear Co., Ltd. ("Daqian Knitting"), a wholly-owned subsidiary established in Mainland China, was qualified as a High-New Technology Enterprise of Zhejiang Province. As a result, Daqian Knitting had been entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2016.

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

(a) Basic

The calculation of earnings per share attributable to ordinary equity holders of the company for the period is based on the consolidated profit attributable to equity holders of the company of approximately RMB1,798,664,000 (for the six months ended 30 June 2016: RMB1,449,896,000) and on the weighted average number of 1,412,837,323 (for the six months ended 30 June 2016: 1,399,000,000) ordinary shares in issue.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: convertible bonds. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the effect of interest expense.

11. DIVIDEND

Pursuant to resolution passed by the Board on 20 August 2017, the Board declared an interim dividend of HK$0.70 per share (for the six months ended 30 June 2016: Nil), totaling approximately HK$1,040,643,000 (equivalent to approximately RMB903,174,000), estimated based on the shares in issue as at 30 June 2017. This declared dividend is not reflected as a dividend payable in this condensed interim consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2017.

12. CAPITAL EXPENDITURES

	Property, plant and equipment *RMB'000*	Prepaid land lease payments *RMB'000*	Water use right *RMB'000*	Software *RMB'000*
For the six months ended 30 June 2016				
Opening net book amount at 1 January 2016	5,549,750	931,255	80,088	29,362
Additions	805,748	—	—	4,459
Disposals	(5,912)	—	—	—
Depreciation/amortisation	(298,533)	(11,475)	(3,225)	(2,493)
Exchange differences	38,618	7,117	—	202
Closing net book amount at 30 June 2016	6,089,671	926,897	76,863	31,530
For the six months ended 30 June 2017				
Opening net book amount at 1 January 2017	**7,013,037**	**923,172**	**73,638**	**31,590**
Additions	**460,613**	**72,587**	**—**	**2,760**
Disposals	**(23,113)**	**—**	**—**	**—**
Depreciation/amortisation	**(366,150)**	**(11,899)**	**(3,225)**	**(3,783)**
Exchange differences	**(65,403)**	**(5,806)**	**—**	**(106)**
Closing net book amount at 30 June 2017	**7,018,984**	**978,054**	**70,413**	**30,461**

13. INVENTORIES

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Raw materials	**946,147**	773,025
Work in progress	**1,676,579**	1,525,175
Finished goods	**1,749,697**	1,416,990
	4,372,423	3,715,190
Provision	**(31,104)**	(16,100)
	4,341,319	3,699,090

14. TRADE AND BILLS RECEIVABLES

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

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Within three months	**2,376,044**	2,445,597
Over three months	**26,474**	207,110
	2,402,518	2,652,707

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

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Current		
Prepayments and deposits		
– Purchase of raw materials	**168,859**	125,029
– Purchase of items of property, plant and equipment	**219,595**	86,782
– Prepaid rental and deposits	**127,434**	124,375
– Others	**8,498**	15,356
VAT refund receivable and recoverable	**210,797**	183,540
Interest receivable	**79,086**	69,797
Other receivables	**98,969**	69,357
	913,238	674,236
Non-Current		
Long-term prepayments*	**45,899**	78,328

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

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

16. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Financial products issued by financial institutions	**2,915,000**	3,120,000

As at 30 June 2017, certain financial products issued by several financial institutions with a carrying amount of RMB 2,915,000,000 (31 December 2016: RMB3,120,000,000) were stated at cost less impairment. The relevant size tests pursuant to Rule 14.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for such financial products, when grouped by each financial institution, are all less than 5% and the investment in such financial products do not constitute notifiable transactions of the Company under the Listing Rules. The directors are of the opinion that their fair value cannot be measured reliably. The financial products have terms of less than one year and have expected annual rates of return up to 4.8% (31 December 2016: 4.8%). Pursuant to the underlying contracts or notices, these financial products are capital guaranteed upon the maturity date. The Group does not intend to dispose them in the near future.

17. TRADE PAYABLES

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

	30 June 2017 RMB'000	31 December 2016 RMB'000
Within six months	**835,277**	739,842
six months to one year	**15,301**	4,377
one year to two years	**1,813**	3,632
over two years	**11,848**	10,366
	864,239	758,217

18. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000	31 December 2016 RMB'000
Accrued expenses	**350,359**	408,765
Payable for Water Use Right	**76,000**	76,000
Payables for purchase of property, plant and equipment	**69,725**	56,048
Guarantee deposits related to construction projects	**12,266**	9,143
Advance from customers	**41,552**	48,268
Rental deposits	**11,077**	4,359
Payable for acquisition of a subsidiary	**10,720**	—
Other taxes payable	**44,878**	122,983
Dividends payable to shareholder of the Company	**4,869**	—
Dividends payable to non-controlling interests	**587**	587
Others	**45,854**	60,921
	667,887	787,074

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

19. CONVERTIBLE BONDS

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Face value of convertible bonds issued on 18 June 2014	**3,097,380**	3,097,380
Issuing expenses	**(53,790)**	(53,790)
Equity component	**(197,140)**	(197,140)
Liability component on initial recognition on 18 June 2014	**2,846,450**	2,846,450
Effect of exchange rate changes	**298,358**	373,834
Accumulated finance costs	**271,971**	231,023
Interest paid	**(41,823)**	(41,162)
Converted to shares of the Company	**(2,849,059)**	—
Liability component	**525,897**	3,410,145

On 18 June 2014, the Company issued convertible bonds which will be due on 18 June 2019 (the "maturity date"), in the aggregate principal amount of HK$3,900,000,000 with an initial conversion price of HK$38.56 (subject to adjustment) per ordinary share of the Company, and the coupon rate is 0.5%. Unless previously redeemed, converted, purchased or cancelled, these bonds will be redeemed at 103.86% of their principal amount on the maturity date. On 13 June 2015, 11 June 2016 and 10 June 2017, the conversion price has been adjusted to HK$38.00, HK$37.50 and HK$37.01 per ordinary share of the Company respectively, upon the declaration of the final dividend of 2014, 2015 and 2016 respectively.

The fair values of the liability component and the equity component were determined upon the issuance of the convertible bonds.

The fair values of the liability component was calculated using a market interest rate of 3.55% for an equivalent non-convertible bond. The residual amount, representing the value of equity component, is included in reserves in shareholders' equity.

The fair value of the convertible bonds approximated to their carrying amounts as at 30 June 2017.

As at 30 June 2017, certain bond holders have converted their bonds with face value of HK$3,286,000,000 into 87,632,300 ordinary shares of the Company.

20. COMMITMENTS

Capital commitments

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**434,870**	325,766
Acquisition of land use right	**108,994**	109,244
	543,864	435,010

21. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

22. RELATED PARTY TRANSACTIONS

(a) Continuing transactions with related parties

The Group had the following continuing significant transactions with its related parties, including directors and their associates and companies controlled by the controlling shareholder, for the six months ended 30 June 2017 and 2016:

	For the six months ended 30 June	
	2017 *RMB'000*	2016 *RMB'000*
Lease of apparel production properties from Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties")*	**4,812**	4,405
Processing services provided by Ningbo Shenzhou Shitong Knitwear Co., Ltd. ("Shenzhou Shitong")*	**—**	8,377
Purchase of packaging materials from Shaoxing County Huaxi Packaging Materials Company Limited ("Huaxi Packaging Company")**	**24,510**	24,315
Printing service provided by Ningbo Avery Dennison Shenzhou Knitting and Printing Co., Ltd. ("Ningbo Avery")***	**36,268**	25,739

* Shenzhou Properties and Shenzhou Shitong are controlled by one of the Company's executive directors.

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

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

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

(b) Outstanding balances with related parties

The Group had the following balances with its related parties:

	30 June 2017 *RMB'000*	31 December 2016 *RMB'000*
Amounts due from related parties		
— Trade related		
Shenzhou Properties	**444**	70
Ningbo Avery	**1,383**	756
	1,827	826
Amounts due to a related party		
— Trade related		
Huaxi Packaging Company	**2,384**	—

(c) Key management compensation

	For the six months ended 30 June	
	2017 *RMB'000*	2016 *RMB'000*
Salaries and other short-term employee benefits	**12,087**	11,988
Post-employment benefits	**69**	63
	12,156	12,051

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the Group's unaudited interim condensed consolidated financial statement for the six months ended 30 June 2017 and its notes (the "Financial Statement") contained in this interim results announcement.

BUSINESS REVIEW

According to statistical data from the China Customs, the total export value of Chinese textile and garment products (including textile yarns, fabrics and finished products as well as garments and apparel accessories, referred the same as below) from January to June 2017 was US$124.05 billion representing a growth of approximately 2.2% over the same period last year. Out of the total export value, the export value of textile products amounted to US$53.12 billion, representing a growth of approximately 3.1% over the same period last year; the garment export value amounted to US$70.93 billion, representing a growth of approximately 1.4% over the same period last year. During the Reporting Period, China's textiles and apparel industry came under the pressure of sustained rise in costs, weakening the industry's traditional advantage, and its exports to the three major markets of the EU, the US, and Japan continues to fall. Out of the export value of apparel: the export value to the EU was US$15.97 billion, representing a fall of approximately 3.0% over the same period last year; the export value to the US was US$14.44 billion, representing a fall of approximately 0.7% over the same period last year; the export value to Japan was US$7.16 billion, representing a fall of approximately 1.1% over the same period last year. Out of the exported apparel, the export value of knitwear from January to June 2017 was US$26.99 billion, representing a fall of 9.5% over the same period last year.

As for the domestic apparels consumption market, according to data from the National Bureau of Statistics, of the total retail sales of products manufactured by enterprises above designated size from January to June 2017, total retail sales of apparels, footwear and headwear, and knitted products was RMB717.2 billion (including total retail sales of apparels of RMB506.3 billion), representing a growth of approximately 7.3% over the same period last year (growth of apparels was approximately 6.8% over the same period of last year), maintaining basically the same extent of growth over the same period last year. However, as the income of the mainland China populace rises, and with new constructions of large scale shopping centers and the rise of online shopping making consumer shopping even more convenient, there will be continued stimulus for the growth in domestic apparel consumption demand.

Vietnam has become a major country for the migration of China's textiles and apparels industry, with its apparel export's value has continuing to grow in recent years. According to statistical data from the Vietnam Customs, from January to June 2017, the export value of Vietnam's textiles and apparels industry was approximately US$11.75 billion, representing a growth of approximately 8.5% over the same period last year. This includes an export value of approximately US$5.75 billion to the US, representing a growth of 6.1% over the same period last year, and an export value of approximately US$1.37 billion to Japan representing a growth of approximately 7.6% over the same period last year. For January to June 2017, Vietnam's import value of fabrics from foreign country was approximately US$5.49 billion, representing a growth of approximately 8.4% over the same period of last year, of which an import value of fabrics from China of approximately US$2.91 billion, representing a growth of approximately 10.5% over the same period last year; Vietnam's export value of yarns was approximately US$1.67 billion, representing a growth of 26.5% over the same period of last year, of which US$930 million worth was exported to China, representing a growth of 29.5% over the same period of last year's figure of US$720 million. For Vietnam's apparels industrial chain, reliance on imported fabrics from foreign country is relatively high, while its upstream supply of yarns is relatively sufficient. The advancement of the negotiation of the Vietnam–European Union Free Trade Agreement (VEFTA) could see a lowering of tariffs of Vietnamese apparels exported to the EU. According to reports, the VEFTA document has entered to the review stages and will formally come into effect in 2018 if it receives approval from the EU Council and the European Parliament.

Within the Reporting Period, production costs of the industry have continued to increase, particularly in the inflation of wage costs and dye prices which has negative effects for the profitability of our enterprise; there is also a small rise in the prices of yarns of main raw materials; the exchange rate of the Renminbi against the US Dollar changed to the appreciation again during the Reporting Period further increased the operating pressure of export enterprises. Weak demand and rising costs remain the main challenge faced by the industry.

From January to June 2017, the sales revenue and operating results of the Group continued to maintain an ideal growth, with sales revenue and gross profit growing by 18.9% and 18.1% respectively over the same period of 2016, and net profit after tax increased by 24.1% over the same period last year, realising earnings per share of RMB1.27. During the Reporting Period, the management and operations of the Group's overseas production bases achieved further results; the promotion of streamlined production management and increase in application of automation equipment has stimulated continued growth in the Group's productivity; while expanding production capacity of the Group's overseas bases, the Group has also gradually conducted renewal and transformation of the production line of the domestic bases. At the same time as we achieve business growth, the Group also values strengthening the sustained development capacity of the enterprise.

Within the Reporting Period, management of our overseas production bases achieved further upgrade, while production capacity has also greatly increased over the same period of last year, effectively reducing the pressure of fixed costs amortising. In particular, increase in the production capacity and productivity of the Vietnam fabrics factory has provided production capacity compensation during the renewal transformation of the domestic fabric factory's old assembly line while securing the stable growth of the Group's business at the same time. The Vietnam special fabrics project has also successfully commenced production during the Reporting Period, providing a foundation for the next step in the expansion of our production capacity. The Group has preliminarily formed stable management teams in our overseas bases, and is gradually training outstanding local staff to join the management teams through the help of the Chinese management staff.

During the Reporting Period, the rapid rise of wage costs has brought about rather large operation pressure, but as the Group also maintained growth in productivity, particularly through the application of expanded automation equipment and sustained improvement in streamlined production management in the clothing manufacturing process, we have effectively reduced the operation pressure arising from costs inflation. Recruitment of new staff for the Vietnam clothing manufacturing factory met expectations, and worker productivity has also gradually increased. The Group's self-built "Shenzhou School of Management" has, through sustained lessons and training, continuously raised the operating quality of our management staff, and further through interaction and sharing of experience among different teams, promoted the elevation of our general management standards.

Within the Reporting Period, the Group has conducted a renewal of old production assembly lines in the domestic fabric bases in batches, with the new production assembly line having more savings in the consumption of water resources and energy, while there was also elevation in the levels of automation and informatisation. Additionally, the Group has conducted a renewal transformation of running water and sewage pipe facilities, effectively preventing the phenomenon of leakage in old pipes. In the area of exhaust treatment and reuse of heat energy, the Group has entered into a technological collaboration with subordinate units of the China Academy of Science, striving to achieve energy savings and emissions reduction goals through resolving the difficult issue of exhaust treatment during the production process. The Group is currently conducting a trial heat energy transformation project using natural gas as fuel, and will determine based on the trial results our future energy consumption structure.

THE GROUP'S OPERATING RESULTS

Revenue

The Group's revenue for the six months ended 30 June 2017 increased by RMB1,311,812,000, or approximately 18.9%, to RMB8,263,585,000 from RMB6,951,773,000 over the six months ended 30 June 2016. During the reporting period, the Group's sales revenue maintained an ideal growth, mainly due to: 1) the Vietnam production plant's expansion of scale increasing the production capacity of the Group; 2) continued increase in worker productivity; and 3) sustained growth in the demand and orders from major clients.

The comparison of the revenue of the Group for the six months ended 30 June 2017 and the six months ended 30 June 2016 by product categories is as follows:

	For the six months ended 30 June					
	2017		2016		**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By products						
Sportswear	**5,518,787**	**66.8**	4,488,837	64.6	1,029,950	22.9
Casual wear	**2,061,078**	**24.9**	1,750,491	25.2	310,587	17.7
Lingerie	**620,510**	**7.5**	655,016	9.4	(34,506)	(5.3)
Other knitwear	**63,210**	**0.8**	57,429	0.8	5,781	10.1
Total revenue	**8,263,585**	**100.0**	6,951,773	100.0	1,311,812	18.9

For the six months ended 30 June 2017, revenue from sales of sportswear amounted to RMB5,518,787,000, representing an increase of RMB1,029,950,000 or approximately 22.9% from RMB4,488,837,000 for the six months ended 30 June 2016. The increase in revenue from sales of sportswear was mainly attributable to the increase in demand of such apparel from international brands in the European and the US markets, as well as increase in demand of sportswear fabric.

Revenue from sales of casual wear products increased by RMB310,587,000, or approximately 17.7%, to RMB2,061,078,000 for the six months ended 30 June 2017, from RMB1,750,491,000 for the six months ended 30 June 2016, mainly due to increasing procurement demand of casual wear coming from the Chinese and Japanese markets.

Revenue from sales of lingerie products decreased by RMB34,506,000, or approximately 5.3%, to RMB620,510,000 for the six months ended 30 June 2017, from RMB655,016,000 for the six months ended 30 June 2016, mainly due to the fall in demand of lingerie procurement in the Chinese market.

The comparison of the revenue of the Group for the six months ended 30 June 2017 and the six months ended 30 June 2016 by market regions is as follows:

	For the six months ended 30 June					
	2017		2016		**Changes**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By market regions						
International sales						
Europe	**1,930,968**	**23.4**	1,519,001	21.8	411,967	27.1
Japan	**1,496,797**	**18.1**	1,484,553	21.3	12,244	0.8
US	**1,025,146**	**12.4**	707,460	10.2	317,686	44.9
Others	**1,833,661**	**22.2**	1,589,654	22.9	244,007	15.3
Sub-total for international sales	**6,286,572**	**76.1**	5,300,668	76.2	985,904	18.6
Domestic sales	**1,977,013**	**23.9**	1,651,105	23.8	325,908	19.7
Total revenue	**8,263,585**	**100.0**	6,951,773	100.0	1,311,812	18.9

For the six months ended 30 June 2017, the Group's revenue from the European market was RMB1,930,968,000, representing an increase of RMB411,967,000 or approximately 27.1% from RMB1,519,001,000 for the six months ended 30 June 2016. During the Reporting Period, the European market maintained rapid growth, becoming the Group's most important overseas market, mainly due to a rise in procurement demand of sportswear in the European market and the increase in production capacity of the Group's overseas bases.

For the six months ended 30 June 2017, the Group's revenue from the Japanese market was RMB1,496,797,000, representing an increase of RMB12,244,000 or approximately 0.8% from RMB1,484,553,000 for the six months ended 30 June 2016. Year-on-year revenue is stable mainly due to a general decrease in consumer demand of apparel in the Japanese market and a reduction in the Group's procurement orders taken from small and medium Japanese clients in order to protect the production capacity demands of our core clients.

For the six months ended 30 June 2017, the Group's revenue from the US market was RMB1,025,146,000, representing an increase of RMB317,686,000 or approximately 44.9% from RMB707,460,000 for the six months ended 30 June 2016. The dramatic growth of the Group's sales in the US market is due mainly to ideal growth in demand in the US market, increasing the procurement orders in sportswear products.

Revenue from other markets including the Republic of Korea, Taiwan, and Hong Kong continued to maintain fast growth. For the six months ended 30 June 2017, revenue from other markets grew by approximately 15.3% over the six months ended 30 June 2016.

For the six months ended 30 June 2017, the Group's revenue from the domestic market increased by 19.7% over the same period last year. Out of domestic sales, revenue from garments was RMB1,920,327,000, representing an increase of RMB312,394,000 or approximately 19.4% from RMB1,607,933,000 over the same period last year. Revenue growth in the domestic market is mainly due to increase sales of international sports brands in the Chinese market.

Cost of sales and gross profit

The Group's cost of sales for the six months ended 30 June 2017 amounted to RMB5,647,242,000 (for the six months ended 30 June 2016: RMB4,735,992,000). The Group's gross profit margin of sales for the six months ended 30 June 2017 was 31.7%, representing a decrease of approximately 0.2 percentage point when compared to 31.9% for the six months ended 30 June 2016. Gross profit margin is basically stable. During the Reporting Period, major factors affecting the gross profit margin were the positive effects on gross profit margin caused by the Group's effective increase in productivity and continued optimization of product structure, and such positive factors were mitigated by the inflation of wage costs and raw material prices.

Equity attributable to equity holders of the Company

As at 30 June 2017, the Group's equity attributable to equity holders of the Company amounted to RMB18,162,591,000 (at 31 December 2016: RMB15,092,944,000), of which non-current assets, net current assets, non-current liabilities and equity attributable to non-controlling interests amounted to RMB8,810,051,000 (at 31 December 2016: RMB8,980,567,000), RMB10,080,009,000 (at 31 December 2016: RMB9,741,013,000), RMB529,094,000 (at 31 December 2016: RMB3,411,978,000) and RMB198,375,000 (at 31 December 2016: RMB216,658,000), respectively. The changes in equity attributable to equity holders of the Company are mainly due to: 1) during the Reporting Period, some holders of convertible bonds converted their bonds to ordinary shares of the Company; 2) increase in profitability of the Group; and 3) reduction in reserves during the Reporting Period after payment of final dividend for 2016 to shareholders of the Company.

Liquidity and financial resources

For the six months ended 30 June 2017, net cash generated from the Group's operating activities amounted to approximately RMB1,501,957,000 (for the six months ended 30 June 2016: RMB1,689,791,000). Cash and cash equivalents of the Group as at 30 June 2017 was RMB1,972,595,000, of which RMB855,034,000 was denominated in RMB, RMB1,088,616,000 was denominated in US dollar, RMB20,989,000 was denominated in Hong Kong dollar, RMB6,421,000 was denominated in Vietnamese dong, RMB444,000 was denominated in Euro, and the remaining balance was denominated in other currencies (at 31 December 2016: RMB2,105,184,000, of which RMB983,234,000 was denominated in RMB, RMB1,033,681,000 was denominated in US dollar, RMB35,925,000 was denominated in Hong Kong dollar, RMB39,168,000 was denominated in Euro, RMB12,256,000 was denominated in Vietnamese dong and the remaining balance was denominated in other currencies), and the balance of bank borrowings was RMB1,664,102,000 (at 31 December 2016: RMB1,241,433,000), all being short-term bank borrowings, the outstanding balance of the liability component of convertible bonds was RMB525,897,000 (at 31 December 2016: RMB3,410,145,000). The Group's net borrowings (the balance of bank borrowings and the liability component of convertible bonds, less cash and cash equivalents) at 30 June 2017 was RMB217,404,000 (at 31 December 2016: net borrowings was RMB2,546,394,000). Net borrowings decreased by RMB2,328,990,000, with the dramatic decrease in net borrowings due mainly to the conversion of convertible bonds into the Company's ordinary shares during the Reporting Period. Excluding the implications of the convertible bonds, the Group's net cash at 30 June 2017 is RMB308,493,000 (at 31 December 2016: net cash was RMB863,751,000).

Equity attributable to equity holders of the Company amounted to RMB18,162,591,000 (at 31 December 2016: RMB15,092,944,000). The Group was in a good cash flow position, with a debt to equity ratio (calculated according to total outstanding borrowings (including the balance of the liability component of convertible bonds) as a percentage of equity attributable to the equity holders of the Company) of 12.1% (at 31 December 2016: 30.8%).

On 18 June 2014 (the "Issue Date"), the Company issued convertible bonds in an aggregate principal amount of HK$3,900,000,000 (equivalent to approximately RMB3,097,380,000 if calculated at the exchange rate of HK$1 = RMB0.7942 on the Issue Date), bearing a coupon rate of 0.5% and payable semi-annually. The maturity date of convertible bonds is on 18 June 2019 (the "Maturity Date"), unless previously redeemed, converted, purchased, cancelled or otherwise provided in the terms and conditions of the bonds. The Company will redeem the convertible bonds at 103.86% of their principal amounts on the Maturity Date. The initial conversion price of the bonds is HK$38.56 per ordinary share (subject to adjustment) and the current conversion price after the adjustment on the date of disclosure of this announcement is HK$37.01 per ordinary share. On the Issue Date, the initial recognition amount of RMB2,846,450,000 for the liability component of the bonds was calculated using a market interest rate of 3.55% for a non-convertible bond of same class. Equity component amount of RMB197,140,000 was credited to the reserves of shareholders' equity. Net proceeds from the issue of these bonds were approximately HK$3,832,271,000, which were fully used for business expansion and for general corporate purpose. During the Reporting Period, convertible bonds with an aggregate face value of HK$3,286,000,000 have been converted into shares of the Company, corresponding to an addition of 87,632,300 shares of the Company's ordinary shares.

As part of the Group's overall treasury management policy, the Group purchased financial products (including entrusted loans, available-for-sale investments, and pledged deposits) from licensed banks in the PRC to maximize return on the Group's idle cash through a legal and low-risk channel. The applicable size test results in respect of the purchases of these financial products are all below 5% and thus, these purchases are not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules. The purchases of these financial products were approved by an investment and lending committee established by the Board to monitor the execution of the Group's treasury management policy.

Finance costs and tax

For the six months ended 30 June 2017, finance costs increased from RMB53,724,000 (including: finance costs of convertible bonds of approximately RMB46,823,000) for the six months ended 30 June 2016 to RMB66,521,000 (including: finance costs of convertible bonds of approximately RMB40,948,000), mainly due to the increase in average balance of the Group's bank borrowings during the period.

For the six months ended 30 June 2017, income tax expense of the Group fell from RMB303,763,000 for the six months ended 30 June 2016 to RMB294,768,000, mainly due to the Group's subsidiary in Vietnam being profitable and enjoying preferential income tax policies during the period, thus lowering the general tax burden of the Group.

Pledge of the Group's assets

As at 30 June 2017, an amount of approximately US$43,535,000 (approximately RMB300,000,000) of bank balance has been signed with the relevant bank for a forward exchange contract, while such bank balance is pledged as deposit to the relevant bank at the same time, and the total settlement amount in Renminbi at maturity will be RMB302,559,000. Such pledged deposit accrue interest at a fixed rate of 1.8%, and will mature within one year from the date of the agreement.

Bank borrowings of the Group in Vietnam amounted to approximately US$56,535,000 (approximately RMB382,992,000) and outstanding balance of letter of credit amounted to EUR18,144,000 and US$411,000 (total approximately RMB143,394,000) were pledged by relevant plant and equipments of Gain Lucky Vietnam. As at 30 June 2017, the costs of the pledged plant and equipments was US$158,000,000 (approximately RMB1,070,355,000) and its net book value was US$137,739,000 (approximately RMB933,096,000).

As at 30 June 2017, some of the Group's time deposits with an amount of RMB500,000,000 (31 December 2016: RMB500,000,000) were pledged to secure bank loans granted to the Group. The time deposits have terms of more than one year and have fixed annual rates of return at 3.5%.

Exposure to foreign exchange

As the Group's sales were mainly settled in US dollar, while its purchases were mainly settled in RMB, the Group's costs and operating profit margin were affected by exchange rate fluctuations to a certain extent. The Group adopted a relevant policy to hedge part of related foreign exchange risks in light of the existing fluctuations of exchange rate between US dollar and RMB. The amounts to be hedged depend on the Group's expected revenue, purchases and capital expenditure in US dollar, as well as considering the market forecast of fluctuations in the exchange rate of US dollar against RMB.

As at 30 June 2017, an amount of approximately US$43,535,000 (approximately RMB300,000,000) of bank balance has been signed with the relevant bank for a forward exchange contract, while such bank balance is pledged as deposit to the relevant bank at the same time, and the total settlement amount in Renminbi at maturity will be RMB302,559,000. Such pledged deposit accrue interest at a fixed rate of 1.8%, and will mature within one year from the date of the agreement.

To avoid the reduction in the value of future cash flows and the volatility thereof arising from any exchange rate movement between RMB and US dollar, the Group has arranged for appropriate number of loans denominated in US dollar and loans denominated in Hong Kong dollar with linked exchange rate with US dollar. As at 30 June 2017, of the total amount of bank loans, there were loans of approximately RMB382,992,000 denominated in US dollar (approximately US$56,535,000 in original currency), and loans of RMB781,110,000 denominated in Hong Kong dollar (HK$900,000,000 in original currency) (at 31 December 2016: loans of approximately RMB383,633,000 denominated in US dollar (approximately US$55,302,000 in original currency) and loans of RMB357,800,000 denominated in Hong Kong dollar (HK$400,000,000 in original currency)). The expansion layout of the Group's overseas production bases will reduce the impact of the exchange rate fluctuations of RMB against US dollar on operations.

Employment, training and development

As at 30 June 2017, the Group employed approximately 81,580 employees in total. Total staff costs, including administrative and management staff, accounted for approximately 30.2% (for the six months ended 30 June 2016: 28.5%) of the Group's sales during the period. The Group remunerated its staff according to their performances, qualifications and industry practices, and conducted regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. In addition, the Company also offered staff rewards or other form of incentives to motivate personal growth and career development of the employees, such as the Group offering continuous training to the employees to enhance their technical and product knowledge as well as their knowledge of industry quality standards. All new employees of the Group are required to attend an introductory course, while there are also various types of training courses available to all employees attending.

Capital expenditure and capital commitments

For the six months ended 30 June 2017, the Group's total investment in property, plant, equipment, prepaid land lease payments and intangible assets amounted to approximately RMB535,960,000, of which approximately 49% was used for the acquisition of production equipment, approximately 46% for the construction and acquisition of new factory buildings and land lease prepayments, and the remaining balance was used for the purchase of other fixed assets and softwares.

As at 30 June 2017, the Group had contracted capital commitments of approximately RMB534,864,000 in connection with the acquisition and construction of properties, plants and equipment, which will be mainly financed by the net proceeds from internal resources.

Significant Investments, Acquisitions And Disposals

The Group is investing in a fabrics and garment plant in Vietnam, for the six months ended 30 June 2017, the Group's aggregate investment amount in Vietnam has reached approximately US$630,000,000.

Save for the aforesaid, the Company did not have any other significant investments, acquisitions and disposals during the period.

Gearing ratio

As at 30 June 2017, the Group's gearing ratio was 12.1%, calculated according to the total outstanding borrowings (including the outstanding balance of the liability component of convertible bonds) as a percentage of equity attributable to the equity holders of the Company.

Contingent liabilities

As at 30 June 2017, the Group had no significant contingent liability (at 31 December 2016: Nil).

FUTURE PROSPECTS AND STRATEGIES

The current operating environment for the textiles and apparels industry is more challenging than ever, with global economic growth slowing down and consumer demand in major import markets such as the U.S., the Euro zone and Japan weakening; global brand procurement is transfering to low cost countries such as Vietnam, Bangladesh, and India; there is no sign of a slowdown in the inflation of wage costs, and the limitations of environmental resources on the industry is increasing. Impacted by the difficult operating environment, the industry is still continuing to conduct integration. In our future development strategy, the Group will insist on sustainable corporate development as our core, further increasing R&D investment, sustaining growth in productivity, and expanding the size of production capacity in our overseas bases, in order to obtain a larger market share in the integration of the industry.

The Group will continue to increase our enterprise sustainable development capability, particularly through measures such as equipment renewal and technical improvement to further increase the effect of energy savings and emissions reductions, and expand R&D collaboration with external scientific research organisations on environmental protection projects. Additionally, the Group will advance the continued improvement of human resource retention and compliance in enterprise operations.

The Group will take scientific and technological innovation as a major driver of our corporate development, continue to introduce and train outstanding talents, construct a new integrated R&D center on the basis of our existing technology center, and strengthen cooperative exchange with external scientific research organisations. Through innovative R&D, we will provide differentiated quality products to clients, in order to meet the escalating demands of consumers.

The Group will continue to expand the size of the production capacity of its overseas production bases in Vietnam and Cambodia, so that its actual production capacity will be reached expected and designed target in order to benefit further lowering of fixed costs amortising. As production costs in China continue to rise and resource supplies are limited, the Group will, based on the actual operating conditions of its overseas production bases, consider further increasing the size of its investment on the basis of existing expansion plans, and will make the corresponding advanced preparations for such a move.

The Group will continue to increase our corporate productivity, expand the application scope of automation equipment in production, refine and streamline production management work, strengthen the sustained training of grassroots management cadets, and improve staff retention through raising welfare and improving condition, striving to raise productivity to counter the sustained inflation of production costs.

The massive consumer demand in the apparels market provides opportunity for our enterprise to further development. The Group takes on the difficult challenges faced by the industry head on, and through innovative reforms and relying on modern technology to improve production models of traditional industry, will continue to raise the competitiveness of the Group in the industry. We are fully confident in our future prospects.

EVENTS AFTER REPORTING PERIOD

There were no significant events since 30 June 2017 up to the date of this announcement which would have any material effect to the Group.

DIVIDEND

At the Company's annual general meeting held on 26 May 2017, the shareholders of the Company approved the payment of a final dividend of HK$1.20 (equivalent to approximately RMB1.07) (including a special dividend of HK$0.35) per share for the year ended 31 December 2016 to the shareholders whose names appeared on the register of members of the Company at the close of business on 9 June 2017. The dividend was paid by the Company on 14 June 2017 in cash.

The Board had resolved to declare an interim dividends of HK$0.70 (equivalent to approximately RMB0.61) per share for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil) to the shareholders whose names appear on the register of members of the Company at the close of the business on 8 September 2017. The interim dividend is expected to be paid on 26 September 2017.

CLOSURE OF REGISTER OF MEMBERS

To ascertain shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 6 September 2017 to 8 September 2017, both days inclusive, during which period no transfer of the shares of the Company will be effected. To qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 5 September 2017.

CORPORATE GOVERNANCE

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

The Company has complied with all the code provisions of the CG Code throughout the six months ended 30 June 2017. There have not been any material changes to the Company's corporate governance practices during the Reporting Period as compared with the information disclosed in the 2016 annual report.

Terms of Reference of Board Committees

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

Responsibilities of Directors

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

Corporate Governance Functions

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

Communications with shareholders

Pursuant to the code provision E.1.2 set out in the CG Code, the Company invited representatives of the external auditors of the Company to attend the annual general meeting of the Company held on 26 May 2017 to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

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

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions (the "Securities Trading Code"). A copy of the Securities Trading Code is provided to all Directors on their appointment. Reminders will be issued twice a year, being 30 days prior to the Board meeting approving the Company's interim results and 60 days prior to the Board meeting approving the Company's annual results, reminding the Directors that they are not allowed to deal in the Company's securities prior to the announcement of results (the period during which the Directors are prohibited from dealing in shares) and that all transactions must comply with the Securities Trading Code. Upon specific enquiries on this matter, all Directors have confirmed their strict compliance with the relevant provisions of the Securities Trading Code throughout the six months ended 30 June 2017.

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

CHANGES TO INFORMATION OF DIRECTORS

During the six months ended 30 June 2017, 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

Save as the issuance of 87,632,300 ordinary shares of the Company pursuant to conversion of the convertible bonds of the Company, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2017.

SHARE OPTION SCHEME

No share option scheme was operated by the Company as at 30 June 2017.

THE BOARD

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

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

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules on 9 October 2005. As of the issuance of this announcement, the Audit Committee comprises three independent non-executive directors, namely Mr. Jiang Xianpin, Mr. Chen Xu and Mr. Qiu Weiguo. Mr. Jiang Xianpin is the Chairman of the Audit Committee. His expertise in accounting, auditing and finance enables him to lead the Audit Committee. On 1 January 2017, Mr. Chen Genxiang resigned as the member of the Audit Committee.

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, risk management, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2017.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in compliance with the CG Code on 9 October 2005. As of the issuance of this announcement, the Remuneration Committee comprises Mr. Ma Renhe, an executive director, Mr. Chen Xu and Mr. Jiang Xianpin, independent non-executive directors. On 1 January 2017, Mr. Chen Genxiang resigned as the chairman of remuneration committee and Mr. Chen Xu is appointed to fill the vacancy, hence, Mr. Chen Xu is the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure for the directors and senior management and on the establishment of a formal and transparent process for approving such remuneration policy. The Remuneration Committee makes recommendations to the Board on the remuneration packages of individual executive directors and senior management. No director will take part in any discussion on his or her own remuneration.

The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each director's workload, responsibility, and job complexity are taken into account.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 October 2005. As of the issuance of this announcement, the Nomination Committee comprises Mr. Ma Jianrong, an executive director, Mr. Qiu Weiguo and Mr. Jiang Xianpin, both independent non-executive directors. Mr. Ma Jianrong is the Chairman of the Nomination Committee.

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 20 August 2017

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