SHENZHOU INTERNATIONAL GROUP HOLDINGS LIMITED

Stock Code : 2313

2024

ANNUAL REPORT

Contents

Corporate Profile

Shenzhou International Group Holdings Limited ("Shenzhou International"), together with its subsidiaries (collectively referred to as the "Group"), is a vertically integrated apparel manufacturer with fabric and garment production bases in China, Cambodia, and Vietnam. With 102,690 employees, the Group boasts an annual production capacity of 250,000 metric tons of fabric and 550 million garments. The Group partners with internationally renowned brands and delivers products across the Asia-Pacific, the Americas, and Europe.

In November 2005, Shenzhou International was listed on the Main Board of the Hong Kong Stock Exchange under stock code of 2313. It joined the MSCI Index in 2013, the Hang Seng Corporate Sustainability Benchmark Index Series in 2015, and the Hang Seng Index in 2018.

Corporate Information

(as at 25 March 2025 (the "Latest Practicable Date"))

REGISTERED NAME

Shenzhou International Group Holdings Limited

BOARD OF DIRECTORS

Executive Directors

Mr. Jianrong Ma *(Executive Chairman)*
Mr. Guanlin Huang *(President and Co-CEO)*
Mr. Renhe Ma *(President and Co-CEO)*
Mr. Cunbo Wang
Mr. Jijun Hu

Independent Non-executive Directors

Mr. Bingsheng Zhang
Ms. Chunhong Liu
Mr. Xinggao Liu
Ms. Feirong Wang

COMPANY SECRETARY

Mr. Tak Hing Chan Kenji

AUTHORISED REPRESENTATIVES

Mr. Cunbo Wang
Mr. Tak Hing Chan Kenji

KEY BOARD COMMITTEES

Audit Committee

Ms. Feirong Wang *(Chairman)*
Mr. Bingsheng Zhang
Ms. Chunhong Liu
Mr. Xinggao Liu

Remuneration Committee

Mr. Bingsheng Zhang *(Chairman)*
Mr. Renhe Ma
Ms. Chunhong Liu
Ms. Feirong Wang

Nomination Committee

Mr. Jianrong Ma *(Chairman)*
Mr. Bingsheng Zhang
Mr. Xinggao Liu
Ms. Feirong Wang

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Corporate Information

(as at 25 March 2025 (the "Latest Practicable Date"))

PLACE OF BUSINESS IN HONG KONG

Unit 2708, 27th Floor
Billion Plaza
No. 8 Cheung Yue Street
Cheung Sha Wan, Kowloon, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

K&L Gates
Morgan, Lewis & Bockius

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Bank of China Limited
Bank of Communications Company Limited
Bank of Ningbo Company Limited
China Construction Bank Corporation
China CITIC Bank Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Company Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
United Overseas Bank Limited

INVESTOR AND PRESS RELATIONS ADVISER

iPR Ogilvy Limited

COMPANY WEBSITE

www.shenzhouintl.com

STOCK CODE

2313

Financial Highlights

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2024	2023	2022	2021	2020
Key Financial Information (RMB'000)					
Sales	**28,662,938**	24,969,792	27,781,412	23,845,006	23,030,648
Profit before income tax	**7,163,778**	4,995,501	5,262,073	3,823,316	5,512,426
Profit for the year	**6,240,581**	4,557,263	4,563,165	3,371,679	5,082,645
Profit attributable to owners of the parent	**6,240,581**	4,557,263	4,562,783	3,371,702	5,106,736
Non-current assets	**14,536,063**	20,131,649	17,328,331	15,622,465	13,297,911
Current assets	**38,571,785**	28,479,488	26,164,534	26,509,441	23,553,850
Current liabilities	**16,826,163**	13,384,483	10,259,437	13,532,431	8,852,625
Net current assets	**21,745,622**	15,095,005	15,905,097	12,977,010	14,701,225
Total assets	**53,107,848**	48,611,137	43,492,865	42,131,906	36,851,761
Total assets less current liabilities	**36,281,685**	35,226,654	33,233,428	28,599,475	27,999,136
Total equity	**35,852,895**	32,867,316	30,765,784	27,783,063	27,270,830
Cash and cash equivalents	**10,868,830**	11,596,453	7,369,498	6,687,623	8,227,060
Key Financial ratios					
Gross profit margin (%)	**28.1**	24.3	22.1	24.3	31.2
Net profit margin (%)	**21.8**	18.3	16.4	14.1	22.1
Gearing ratio (%)(1)	**35.8**	36.8	29.9	38.1	24.2
Current ratio (Times)	**2.3**	2.1	2.6	2.0	2.7
Accounts receivable turnover period (days)	**71**	73	56	59	62
Inventory turnover period (days)	**116**	120	109	116	116

Note:

1. Gearing ratio represents the ratio between total outstanding borrowings and total equity.

Financial Highlights

REVENUE BREAKDOWN OF THE GROUP BY PRODUCT CATEGORY

	For the year ended 31 December									
	2024		2023		2022		2021		2020	
	RMB'000	**%**	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
By product										
Sportswear	**19,799,350**	**69.1**	18,031,526	72.2	20,869,553	75.1	17,612,128	73.9	15,940,917	69.2
Casual wear	**7,207,239**	**25.1**	5,672,653	22.7	5,751,836	20.7	4,720,735	19.8	4,480,518	19.5
Lingerie wear	**1,435,780**	**5.0**	1,066,643	4.3	819,133	3.0	1,040,246	4.4	1,032,917	4.5
Other knitwear	**220,569**	**0.8**	198,970	0.8	340,890	1.2	471,897	1.9	1,576,296	6.8
Total revenue	**28,662,938**	**100.0**	24,969,792	100.0	27,781,412	100.0	23,845,006	100.0	23,030,648	100.0

REVENUE BREAKDOWN OF THE GROUP BY MARKET

	For the year ended 31 December									
	2024		2023		2022		2021		2020	
	RMB'000	**%**	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
By market										
Revenue from international markets										
Europe	**5,190,059**	**18.1**	5,027,285	20.1	6,215,018	22.4	4,732,599	19.8	3,679,117	16.0
Japan	**4,834,111**	**16.9**	3,675,539	14.7	3,926,014	14.1	3,346,908	14.0	4,795,807	20.8
U.S.	**4,611,826**	**16.1**	3,879,987	15.6	4,873,358	17.5	3,805,130	16.0	3,115,229	13.5
Other markets	**5,965,767**	**20.8**	5,262,929	21.1	5,692,876	20.5	4,392,024	18.4	4,117,871	17.9
Revenue from China domestic markets	**8,061,175**	**28.1**	7,124,052	28.5	7,074,146	25.5	7,568,345	31.8	7,322,624	31.8
Total revenue	**28,662,938**	**100.0**	24,969,792	100.0	27,781,412	100.0	23,845,006	100.0	23,030,648	100.0

Chairman's Statement

Dear shareholders,

On behalf of the Board of Directors (the "Board" or the "Directors") of Shenzhou International Group Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for your review.

In 2024, the export value of key apparel-producing countries, including China and Vietnam, experienced a moderate recovery. However, the sluggish global economic growth and weakened consumer purchasing power hindered a robust rebound in market demand. Simultaneously, persistent challenges such as escalating labor costs and uncertainties in the trade environment continued to pose significant pressures. Coupled with subdued global demand, these factors have intensified industry competition and further widened the disparity in corporate performance.

Amid these conditions, supply chain innovation, sustainability, operational efficiency, agility, and strategic global deployment have emerged as key drivers of corporate competitiveness. Facing dual pressures from rising manufacturing costs and an increasingly complex trade environment, apparel enterprises are accelerating their transition towards higher value-added production and operational efficiency enhancement while advancing global supply chain integration and reinforcing regional synergy capabilities.

Throughout the year, the Group deepened its collaboration with brand customers and actively expanded market demand, resulting in a notable improvement in overall capacity utilisation. Additionally, the Group commenced the capacity development of its second fabric factory in Tây Ninh Province, Vietnam, and is set to begin recruitment for its new apparel factory in Phnom Penh, Cambodia, further optimising its production capacity layout.

Concurrently, the Board of Directors, in close collaboration with various professional committees, has remained steadfast in its focus on internal governance, risk management, and business strategy. This approach ensures transparent and equitable decision-making while maintaining open communication channels with stakeholders, including investors. The Group upholds a zero-tolerance stance towards corruption and remains firmly committed to a people-centric approach, prioritising employee welfare. The Group will continue to drive the implementation of relevant policies.

Throughout the year 2024, the Group's business revenue and operating performance saw a robust recovery, achieving new milestones. Frontline employees received salary increases, and the industrial foundation was further reinforced, facilitating steady progress amidst numerous challenges. I would like to express my sincere gratitude to all employees for their dedication, as well as to our brand customers, suppliers, investors, and all other stakeholders for their trust and support.

Looking ahead, the Group will prioritise customer needs, fostering the development of high-end, differentiated, and functional products; enhancing supply chain agility and collaboration; improving production efficiency through digitalisation and automation; and promoting sustainability to achieve a low-carbon transformation. Our ongoing commitment will be to strengthen the Group's core competitiveness and value creation capabilities, grounded in integrity and committed to long-term success, navigating challenges and transformation.

Chairman of the Board
Jianrong Ma

Hong Kong, PRC, 25 March 2025

Management Discussion and Analysis

OPERATING ENVIRONMENT

In 2024, global economic growth slowed, leading to a decline in consumer purchasing power and a weakening of market demand. The rise of trade protectionism and the uncertainty surrounding tariff policies in certain developed countries placed additional pressure on export-oriented enterprises. Labor costs continued to increase, particularly within labor-intensive manufacturing sectors, further compressing profit margins. However, despite these challenges, several positive developments emerged: the de-inventory cycle for retail brands largely concluded, facilitating a recovery in orders within the textile and apparel industry; advancements in intelligent manufacturing and big data enhanced production efficiency and supply chain management; a growing global consensus on sustainability led to an increased adoption of green textiles and circular economy models, creating new market opportunities; the demand for high-quality, personalised products surged, expanding the growth potential in the mid-to-high-end market; and the optimisation of global supply chains improved both stability and efficiency. These factors provided fresh opportunities, driving the textile and apparel industry toward sustainable and high-quality growth.

According to the statistics from China Customs, the total export value of China's textiles and apparel (including textile yarns, fabrics and products, and clothing and apparel accessories, hereinafter referred to as textiles and apparel) in 2024 was USD301.1 billion, reflecting an increase of approximately 2.8% compared to the previous year. Concerns over the uncertain trade environment between China and the United States prompted some companies to adopt an export-driven strategy in the fourth quarter, resulting in an accelerated export growth rate for textiles and apparel, with a year-on-year increase of approximately 10.0%. Of the total annual export value, textile exports amounted to USD141.96 billion, a rise of approximately 5.7% compared to the previous year. Among these, the export value of yarns and fabrics, the primary materials for clothing, increased by approximately 3.1% and 6.7%, respectively. The export value of clothing and apparel accessories was USD159.14 billion, a slight increase of approximately 0.3%. Both knitted and woven clothing saw a rise in quantity but a decline in price. Specifically, knitted clothing exports amounted to USD73.06 billion, up 4.0% year-on-year, accounting for around 45.9% of total clothing exports (2023: 44.3%). In 2024, exports of clothing to the four major markets — the United States, the 27 European Union countries, Japan, and the United Kingdom — accounted for 50.7% of China's total clothing exports (2023: 48.8%). Among these, exports to the United States totaled USD36.19 billion, up 8.7% year-on-year; exports to the 27 EU countries amounted to USD27.75 billion, up 4.8%; exports to Japan totaled USD11.61 billion, down 7.8%; and exports to the United Kingdom reached USD5.22 billion, up 7.5%. Influenced by the slow recovery of clothing demand in some developed economies and the replenishment of inventory by brand merchants, the growth of China's clothing exports to the European and American markets turned positive year-on-year in 2024, while the decline in exports to Japan narrowed compared to the previous year.

In China's domestic consumer market, according to data released by the National Bureau of Statistics of China, the total retail sales of apparel, footwear, and textile products by large-scale retail enterprises reached approximately RMB1,469.05 billion in 2024, representing a year-on-year increase of 0.3%, with the growth rate declining by 12.6 percentage points from the previous year. Among them, the retail sales of apparel amounted to approximately RMB1,071.62 billion, reflecting a year-on-year growth of 0.1%. Additionally, the online retail sales of apparel-related physical goods increased by approximately 1.5% year-on-year, with the growth rate slowing by 9.3 percentage points compared to the prior year. The macroeconomic slowdown contributed to the deceleration in domestic consumption growth for textile and apparel products.

According to statistics released by the General Administration of Customs of the People's Republic of China, the total value of China's foreign trade in 2024 amounted to USD6,162.29 billion, reflecting a 3.8% increase from 2023. Of this, exports totaled USD3,577.22 billion, up 5.9% year-on-year, while imports reached USD2,585.07 billion, representing a 1.1% increase. The annual trade surplus stood at USD992.16 billion, an increase of USD170.06 billion or 20.7% from the USD822.10 billion recorded in 2023. The trade surplus for textiles and apparel amounted to USD279.86 billion, accounting for 28.2% of the total trade surplus (2023: 33.1%), marking a decline of 4.9 percentage points. As China continues to transition toward a more diversified export structure, the share of textiles and apparel, traditionally a major export category, in the overall trade surplus has continued to decline.

According to preliminary statistics from Vietnam's General Department of Customs, Vietnam's textile industry exports totaled approximately USD41.44 billion in 2024, reflecting a 10.0% increase from the previous year, surpassing China's export growth rate by 7.2 percentage points. Of this, textile and apparel exports amounted to USD37.04 billion, up 11.2% year-on-year, while yarn exports reached USD4.41 billion, marking a 1.2% increase. Vietnam's textile and apparel exports to the United States, Japan, and South Korea stood at USD16.15 billion, USD4.33 billion, respectively, and USD3.15 billion, representing year-on-year growth of 11.6%, 6.7%, and 3.3%. The United States remained Vietnam's largest single market, accounting for 43.6% of Vietnam's total textile and apparel exports, with a notable recovery in exports to the U.S. market. Vietnam's yarn exports were primarily destined for China, with shipments valued at USD2.14 billion in 2024, accounting for 48.6% of Vietnam's total yarn exports (2023: 53.2%), reflecting a 7.6% decline from the prior year. Vietnam imported approximately USD14.91 billion worth of fabric in 2024, reflecting a 14.5% increase year-on-year. Fabric imports from Mainland China reached USD9.98 billion, up 19.9% from the previous year, accounting for 67.0% of Vietnam's total fabric imports (2023: 64.0%). Additionally, fabric imports from South Korea and China's Taiwan region amounted to USD1.52 billion and USD1.50 billion, accounting for 10.2% and 10.0% of total fabric imports (2023: 11.8% and 10.4%), respectively. Fabric imports accounted for 40.3% of Vietnam's total textile and apparel exports in 2024 (2023: 39.1%), indicating a continued high reliance on imported fabrics, particularly from China. Vietnam's textile and apparel exports to the European Union (27 countries) and the United Kingdom totaled USD4.24 billion and USD770 million, up 12.7% and 14.5% year-on-year, respectively, signaling a recovery in exports to the European market. Exports to Comprehensive and Progressive Agreement for Trans-Pacific Partnership member countries reached USD7.53 billion, reflecting a 9.1% year-on-year increase. Despite the subdued global consumer demand, Vietnam's textile and apparel exports saw a relatively strong recovery in 2024, supported by an increasingly integrated industry supply chain and a favorable external trade environment.

Management Discussion and Analysis

At the end of 2024, the central parity exchange rate of the RMB against the USD depreciated by 1.5% compared to the end of 2023, with the depreciation margin being similar to that of 2023. During the year, the People's Bank of China ("PBOC") made two reductions of 0.5 percentage points each in the required reserve ratio for financial institutions. Additionally, the PBOC guided a reduction of 35 basis points in the one-year loan prime rate ("LPR") and 60 basis points in the five-year and above LPR. Over the past five years, the consecutive declines in the reserve requirement ratio and LPR have effectively reduced financing costs for businesses, providing space for innovation and upgrading. The Federal Reserve began cutting interest rates in September 2024, reducing rates three times consecutively by a total of 100 basis points, lowering the target range for the federal funds rate from 5.25%-5.5% to 4.25%-4.5%. Due to the impact of changes in the U.S. tariff policies on prices, the pace and extent of the Federal Reserve's rate cuts remain uncertain. In the short term, there is still a significant gap between Renminbi and US Dollar deposit rates. It is expected that the RMB-to-USD exchange rate will exhibit two-way fluctuations but remain broadly stable.

According to data published by the National Bureau of Statistics of China, by the end of 2024, the total population of China was approximately 1.41 billion, with a birth population of 9.54 million. The total population decreased by 1.39 million compared to the previous year, with the decline narrowing by 690,000 compared to the previous year. China has experienced negative population growth for three consecutive years. By the end of 2024, the population aged 60 and above accounted for 22.0% of the total population (2023: 21.1%), an increase of approximately 13.34 million people compared to 2023. Meanwhile, the population of individuals aged 16 to 59, which is the labor force, decreased by approximately 6.83 million people. The aging population in China continues to deepen, and the reduction in the working-age population, along with shifts in employment perspectives, poses long-term challenges for traditional labor-intensive manufacturing enterprises. As a result, it is essential for these enterprises to continually advance the upgrade and iteration of digital and automation technologies.

According to data released by the National Bureau of Statistics of China, China's cotton planting area in 2024 was approximately 2.84 million hectares, reflecting an increase of 50,000 hectares compared to the previous year. Cotton production for the year reached 6.16 million tons, an increase of 9.7% compared to the previous year. According to data released by the U.S. Department of Agriculture in February 2025, the global cotton production for the 2024/25 period is estimated to be approximately 26.23 million tons, reflecting an increase of 1.63 million tons (6.6%) compared to the 2023/24 period. Global cotton consumption for the same period is estimated at 25.25 million tons, representing an increase of approximately 250,000 tons or approximately 1.0% compared to the 2023/24 period. Global cotton ending stocks are projected to be 17.07 million tons, a 6.4% increase compared to the previous year, with a stock-to-consumption ratio of approximately 68%. It is estimated that China's cotton stocks will be around 8.15 million tons, accounting for 48% of the global total. China's cotton consumption accounts for approximately 32% of the global consumption, and its cotton imports account for approximately 17% of the global imports. In 2024, China's total cotton imports reached 2.62 million tons, reflecting an increase of 33.8%, with both import volume and total value reaching the highest levels in the past decade. Of this, cotton imports from Brazil amounted to approximately 1.10 million tons, reflecting a significant increase of 92.8%, accounting for 42.2% of China's total cotton imports (2023: 29.2%). Cotton imports from the United States were approximately 876,000 tons, a 16.5% increase, accounting for 33.5% of China's cotton imports (2023: 38.4%). In 2024, the total value of China's cotton imports was approximately USD5.33 billion, an increase of 27.8%, with the average import price being USD2,034.7 per ton, reflecting a 4.4% decrease compared to the previous year. Domestic cotton prices in 2024 showed a trend of rising initially and then fluctuating downward. Looking ahead to the 2025 period, with a slower consumption growth, increased uncertainty in international trade, and the impact of cotton yield fluctuations, the global cotton market is expected to maintain a loose supply-demand balance, with cotton prices likely to remain at lower levels.

Management Discussion and Analysis

On 15 May 2024, the China National Textile and Apparel Council released three standards: the "Technical Specifications for the Creation and Evaluation of Carbon Neutral Factories in the Textile Industry," the "Carbon Neutral Textile Product Evaluation Technical Specifications," and the "Textile Product Carbon Labeling Technical Specifications." These standards fill the gap in carbon neutrality-related evaluation standards in the textile industry and provide standardised technical guidance for the green transformation and upgrading of textile enterprises. On 8 October 2024, the Ministry of Industry and Information Technology of the People's Republic of China revised and released the "Green Low-Carbon Development Technical Guidelines for the Printing and Dyeing Industry (2024 Edition)," offering specific guidance on core links in the textile industry chain and promoting the structural adjustment and green transformation of the printing and dyeing industry. Additionally, the Group's brand customers have made a series of commitments regarding carbon emissions reduction, including setting quantifiable emission reduction targets, developing and using low-carbon innovations and renewable materials, adopting alternative fuels, reducing water consumption, and guiding suppliers in emissions reduction and efficiency improvement. Under the dual guidance of policies and markets, Chinese textile and apparel enterprises must actively implement sustainable development principles, accelerate the application of new technologies, processes, and equipment, and enhance product added value through green innovation to gain a competitive advantage globally.

Amid a global economic and political environment characterised by volatility and uncertainty, the textile and apparel industry is confronting a range of multifaceted and significant challenges. The industry's "nearshoring" trend is accelerating, as European and American brands move part of their orders to nearby regions such as Eastern Europe, North Africa, and Latin America to mitigate geopolitical risks and reduce logistics costs, shortening supply chain cycles. Asia remains the global manufacturing hub for the textile and apparel industry. However, China faces the dual pressures of high manufacturing costs and an unfavorable trade environment, requiring a shift toward high-value-added products and greater production efficiency. Countries like Vietnam and India may leverage opportunities to take on more mid- to low-end orders but also face rising labor costs. Carbon tariffs, rules of origin, and digital trade barriers could increase the multinational operational costs of exporting companies, demanding greater transparency and traceability in supply chains. Leading industry players have the opportunity to gain market advantages through technological innovation and resource integration, while small and medium-sized enterprises need to focus on niche markets. Sustainable development and digitalisation capabilities will become important competitive barriers in the industry.

BUSINESS REVIEW

In the fiscal year 2024, the Group achieved total sales revenue of approximately RMB28,662,938,000, representing an increase of approximately 14.8% compared to the previous year. Gross profit amounted to approximately RMB8,054,897,000, up by approximately 32.9% year-on-year. Profit attributable to owners of the parent reached approximately RMB6,240,581,000, reflecting a year-on-year increase of approximately 36.9%. Both revenue and net profit after tax for the year reached record highs in the Group's history. During the year, the Group's capacity utilisation returned to normal levels, and the workforce across domestic and overseas production bases further expanded. Production efficiency also improved significantly, effectively contributing to the recovery of profitability. The Group's gross profit margin for the year increased by 3.8 percentage points to 28.1% compared to the previous year. However, the gross profit margin for the second half of the year was approximately 27.4%, which declined by approximately 1.6 percentage points compared to the first half, primarily due to a significant wage increase for frontline employees in the second half of the year. Looking back on the year, the Group remained committed to enhancing service quality and actively expanding market demand. The Group also further expanded production capacity, improved overall workforce productivity, and strengthened supplier management, thereby enhancing the overall competitiveness and synergy of the supply chain.

Throughout the year, the market demand in the apparel retail industry did not show a significant recovery. In response, the Group strengthened new product development and diversified its product offerings. The Group also enhanced vertical integration within the supply chain to further improve product delivery. Additionally, production capacity was strategically allocated across domestic and overseas manufacturing facilities based on order demands from different customer markets. The Group further increased its share of procurement among core customers and expanded production capacity to accommodate new customers. These efforts effectively drove market demand, enabling the Group to achieve solid business growth despite the challenging operating environment.

Currently, the construction of the new garment factory in Phnom Penh, Cambodia, is nearing completion, and recruitment of staff started in March 2025. The new factory is expected to employ approximately 6,000 people. Following the completion of the equity acquisition project in Tay Ninh Province, Vietnam, the Group has utilised the assets obtained from the acquisition to commence the construction of new fabric production capacity. This capacity will be gradually released, with an expected increase in fabric production capacity of 200 tons per day, which will support the expansion of the production capacity of overseas garment factories. During the year, the number of employees at both domestic and overseas bases has increased. Following the wage adjustment for frontline employees in the second half of 2024, workforce stability has strengthened, contributing to a notable improvement in production efficiency.

The Group places great emphasis on establishing long-term, mutually beneficial partnerships with high-quality suppliers, aiming to foster a business environment rooted in integrity and transparency. By enhancing overall supply chain competitiveness, the Group seeks to fully leverage the synergies of “quality excellence, prompt responsiveness, fair pricing, and innovation-led development.” While strengthening supplier management, the Group has also implemented centralised procurement across its operations. Furthermore, the Group is committed to the sustainable development of its supply chain, guiding partners to prioritise the adoption and promotion of eco-friendly materials and green manufacturing processes, thereby enhancing supply chain transparency and traceability. In addition, the Group actively promotes data integration and information sharing within the supply chain, leveraging digitalisation and flexible production capabilities to swiftly respond to market demands and alleviate inventory pressure for brand clients.

FINANCIAL REVIEW

Sales Revenue

For the fiscal year ended 31 December 2024, sales revenue reached approximately RMB28,662,938,000, marking a 14.8% increase (approximately RMB3,693,146,000) from RMB24,969,792,000 in 2023. Key drivers of this growth include the successful expansion in customer demand, improved capacity utilisation at domestic production bases, and increased production efficiency and capacity expansion at overseas production facilities.

The following is a comparative analysis of the Group’s sales revenue by product category for the years 2024 and 2023:

	For the year ended 31 December					
	2024		2023		Change	
	RMB’000	**%**	RMB’000	%	RMB’000	%
By product						
Sportswear	**19,799,350**	**69.1**	18,031,526	72.2	1,767,824	9.8
Casual wear	**7,207,239**	**25.1**	5,672,653	22.7	1,534,586	27.1
Lingerie wear	**1,435,780**	**5.0**	1,066,643	4.3	369,137	34.6
Other knitwear	**220,569**	**0.8**	198,970	0.8	21,599	10.9
Total sales	**28,662,938**	**100.0**	24,969,792	100.0	3,693,146	14.8

For the fiscal year ended 31 December 2024, sales revenue from sportswear products reached approximately RMB19,799,350,000, representing an increase of approximately RMB1,767,824,000 or 9.8% compared to RMB18,031,526,000 for the fiscal year ended 31 December 2023. The growth in sales revenue from sportswear products was primarily driven by increased demand for sports apparel in the Mainland China and U.S. markets.

Sales revenue from casual wear products increased from approximately RMB5,672,653,000 for the fiscal year ended 31 December 2023, to approximately RMB7,207,239,000 for the fiscal year ended 31 December 2024, marking an increase of approximately RMB1,534,586,000 or 27.1%. This growth was mainly attributable to rising demand for casual apparel in the Japanese market and other regions.

For the fiscal year ended 31 December 2024, sales revenue from lingerie products increased to approximately RMB1,435,780,000, up from approximately RMB1,066,643,000 for the fiscal year ended 31 December 2023. This represents an increase of approximately RMB369,137,000 or 34.6%. The growth was primarily driven by increased procurement demand from the Japanese market.

For the fiscal year ended 31 December 2024, sales revenue from other knitwear products increased to approximately RMB220,569,000, up from approximately RMB198,970,000 for the fiscal year ended 31 December 2023. This represents an increase of approximately RMB21,599,000 or 10.9%.

The following is a comparative analysis of the Group's sales revenue by markets for the years 2024 and 2023:

	For the year ended 31 December					
	2024		2023		Change	
	RMB'000	**%**	RMB'000	%	RMB'000	%
By market						
Europe	**5,190,059**	**18.1**	5,027,285	20.1	162,774	3.2
Japan	**4,834,111**	**16.9**	3,675,539	14.7	1,158,572	31.5
U.S.	**4,611,826**	**16.1**	3,879,987	15.6	731,839	18.9
Other markets	**5,965,767**	**20.8**	5,262,929	21.1	702,838	13.4
Sub-total revenue from international market	**20,601,763**	**71.9**	17,845,740	71.5	2,756,023	15.4
Revenue from China domestic markets	**8,061,175**	**28.1**	7,124,052	28.5	937,123	13.2
Total sales	**28,662,938**	**100.0**	24,969,792	100.0	3,693,146	14.8

For the fiscal year ended 31 December 2024, the Group's sales revenue in the European market reached approximately RMB5,190,059,000, representing an increase of approximately RMB162,774,000 or 3.2% compared to RMB5,027,285,000 for the fiscal year ended 31 December 2023. The growth was primarily driven by increased procurement demand for casual apparel in the European market.

For the fiscal year ended 31 December 2024, the Group's sales revenue in the Japanese market reached approximately RMB4,834,111,000, representing an increase of approximately RMB1,158,572,000 or 31.5% compared to RMB3,675,539,000 for the fiscal year ended 31 December 2023. The growth was primarily driven by rising demand for casual wear and lingerie products in the Japanese market.

For the fiscal year ended 31 December 2024, the Group's sales revenue in the U.S. market reached approximately RMB4,611,826,000, representing an increase of approximately RMB731,839,000 or 18.9% compared to RMB3,879,987,000 for the fiscal year ended 31 December 2023. This growth was primarily driven by increased demand for sportswear.

Sales revenue in other overseas markets totaled approximately RMB5,965,767,000, marking a 13.4% increase from RMB5,262,929,000 in 2023, representing an increase of approximately RMB702,838,000. The growth was mainly due to higher exports to Canada, South Korea, Philippine and others.

The Group's sales revenue in the China domestic market grew by 13.2% year-over-year. Revenue from apparel sales reached approximately RMB7,870,002,000, up 13.0% from RMB6,964,278,000 in 2023, representing an increase of approximately RMB905,724,000. This increase was primarily driven by rising demand for sportswear in Mainland China.

Cost of Sales and Gross Profit

For the fiscal year ended 31 December 2024, the Group's cost of sales was approximately RMB20,608,041,000 (2023: RMB18,909,916,000). The Group's gross profit margin for 2024 was approximately 28.1%, representing an increase of about 3.8 percentage points from 24.3% in 2023. The rise in gross profit margin was mainly attributed to: 1) the overall increase in customer order demand, leading to a significant improvement in capacity utilisation compared to the previous year; 2) enhanced operational efficiency at overseas factories and an increase in the number of employees.

Equity Attributable to Owners of the Parent

As of 31 December 2024, the equity attributable to owners of the parent was approximately RMB35,852,895,000 (2023: RMB32,867,316,000). This includes non-current assets of approximately RMB14,536,063,000 (2023: RMB20,131,649,000), net current assets of approximately RMB21,745,622,000 (2023: RMB15,095,005,000), and non-current liabilities of approximately RMB428,790,000 (2023: RMB2,359,338,000). The increase in equity attributable to owners of the parent was primarily due to: 1) the increase in the Group's annual operating profit, which added to reserves; and 2) dividends paid to the shareholders, which partially offset the increase in reserves.

Liquidity and Financial Resources

For the fiscal year ended 31 December 2024, the Group's net cash generated from operating activities was approximately RMB5,272,964,000, compared to RMB5,226,525,000 in 2023. As of 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB10,868,830,000, of which approximately RMB2,742,633,000 was denominated in RMB, approximately RMB7,876,257,000 in USD, approximately RMB210,157,000 in HKD, approximately RMB33,002,000 in VND, with the remaining balance in other currencies (2023: RMB11,596,453,000, with approximately RMB5,878,154,000 denominated in RMB, RMB5,669,442,000 in USD, RMB19,588,000 in HKD, RMB25,546,000 in VND, and the balance in other currencies).

The Group's bank borrowings as of 31 December 2024, totaled approximately RMB12,818,564,000, all of which were short-term borrowings (2023: RMB12,103,968,000, of which approximately RMB10,203,968,000 were short-term borrowings and approximately RMB1,900,000,000 were long-term borrowings).

As of 31 December 2024, the Group's net borrowings (bank borrowings less cash and cash equivalents) amounted to approximately RMB1,949,734,000, compared to net borrowings of approximately RMB507,515,000 as of 31 December 2023. The increase in net borrowings by approximately RMB1,442,219,000 was mainly due to an increase in time deposits with a maturity of more than three months within the Group's monetary assets.

Equity attributable to owners of the parent amounted to approximately RMB35,852,895,000 (2023: RMB32,867,316,000). The Group was in a good cash flow position, with a debt-to-equity ratio (calculated based on the percentage of total outstanding borrowings over equity attributable to owners of the parent) of 35.8% as of 31 December 2024 (2023: 36.8%), representing a decrease of 1.0 percentage point as compared with the end of last year. As at 31 December 2024, in addition to cash and cash equivalents, the Group also held other deposit financial assets of approximately RMB15,346,830,000 (2023: RMB11,945,706,000), which can be used as the source of capital for debt adjustment.

As part of the Group's overall financial management policy, the Group purchased financial products (including financial assets measured at fair value through profit or loss and time deposits) from several licensed banks in China. This strategy aimed to maximise the return on idle funds through legal and low-risk channels. The results of the related scale tests for such purchases were all below 5%, and therefore, these purchases were not subject to the disclosure requirements of Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The purchase of these financial products was approved by the investment and lending committee of the Company, which had been established by the Board to oversee the implementation of the Group's treasury management policy. Details of these financial products can be found in the notes 22 and 23 to the financial statements in this annual report.

Finance Costs and Taxation

For the fiscal year ended 31 December 2024, finance costs increased to approximately RMB375,348,000 from approximately RMB345,805,000 for the fiscal year ended 31 December 2023. The increase of approximately RMB29,543,000 was mainly due to the higher average loan balance during the year.

For the fiscal year ended 31 December 2024, the Group's income tax expense was approximately RMB923,197,000, representing an increase of approximately RMB484,959,000 or 110.7% compared to RMB438,238,000 for the fiscal year ended 31 December 2023. This increase was primarily due to a significant rise in the Group's profit before tax and a substantial increase in the tax burden of its subsidiaries in Vietnam.

Foreign Exchange Risk

As the Group's sales are primarily denominated in USD, while its procurement is mainly settled in RMB, exchange rate fluctuations have an impact on the Group's costs and operating profit margins. In response to the volatility of the USD/RMB exchange rate, the Group has adopted policies to hedge some of the related foreign exchange risks. The hedging amount depends on the Group's USD revenues, procurement, and capital expenditures, taking into account market forecasts for the fluctuation of the USD/RMB exchange rate.

To mitigate potential future cash flow impairment and fluctuations due to changes in the RMB/USD exchange rate, the Group has arranged an appropriate amount of USD-denominated borrowings and HKD borrowings linked to the USD exchange rate. As of 31 December 2024, of the total bank borrowings, approximately RMB1,685,327,000 was in USD (equivalent to approximately USD234,451,000), and approximately RMB5,113,187,000 was in HKD (equivalent to approximately HKD5,521,800,000) (as of 31 December 2023: USD borrowings of approximately RMB1,600,113,000 (equivalent to approximately USD225,918,000) and HKD borrowings of approximately RMB5,003,855,000 (equivalent to approximately HKD5,521,800,000)).

EMPLOYMENT, TRAINING, AND DEVELOPMENT

As of 31 December 2024, the Group employed approximately 102,690 employees (2023: 92,030). During the year, total employee costs (including administrative and management personnel) accounted for approximately 27.6% of the Group's sales (2023: 28.0%), representing a decrease of about 0.4 percentage points compared to the previous year. The Group determines employee compensation based on individual performance, qualifications, and industry practices, and the compensation policy is reviewed periodically. Based on annual performance evaluations, employees may receive bonuses and incentives. Additionally, the Group offers rewards or other forms of encouragement to support the personal growth and career development of employees. The Group also provides continuous training to employees to enhance their skills, product knowledge, awareness of industry quality standards, and understanding of the Group's operations. All new employees are required to attend an induction program, and all employees have access to a variety of training courses.

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 RMB1,708,473,000. Of this, approximately 46% was used to purchase production equipment, about 49% was allocated for the construction and purchase of new factory buildings and prepaid land lease payments, and the remaining balance was used to acquire other fixed assets and software.

As of 31 December 2024, the Group had capital commitments for land use rights, property, plant, and equipment amounting to approximately RMB770,084,000, which will mainly be financed through internal resources and bank loans.

SIGNIFICANT INVESTMENTS, ACQUISITIONS, AND DISPOSALS

During the year, a wholly-owned subsidiary of the Group entered into a share transfer memorandum of understanding with an independent third-party company in South Korea (hereinafter referred to as the "Seller"). Under this agreement, the Group acquired the entire equity interest in a subsidiary of the Seller, located in Tay Ninh Province, Vietnam (the "Target Company"). The main assets of the Target Company include land use rights, buildings, and production equipment located in Tay Ninh Province, Vietnam, as well as certain wastewater discharge rights required for fabric production. The transfer price for the entire equity interest in the Target Company was set at USD50,000,000. The formal share transfer agreement was signed by both parties on 12 July 2024, and the change of the business registration certificate was completed on 16 July 2024. As a result, the Target Company became a wholly-owned subsidiary of the Group, and the Group is now expanding its fabric production capacity in Vietnam through the Target Company.

During the year, a wholly-owned subsidiary of the Group entered into a share transfer agreement with Shanghai Zhangqiao Economic Development Corporation (the "Buyer"). Under this agreement, the Group sold the entire equity interest in its wholly-owned subsidiary, Shanghai Maxwin Industrial Co., Ltd. ("Maxwin Industrial"), to the Buyer for a transaction price of RMB582,526,000. Maxwin Industrial was acquired by the Group in May 2010 through a share transfer for RMB297,000,000 from a third party. The primary assets of Maxwin Industrial include land use rights and buildings located at Chuanqiao Road, Pudong New Area, Shanghai. Prior to the share transfer, the main business of Maxwin Industrial was property leasing. On 27 June 2024, Maxwin Industrial completed the change of its business license in relation to the share transfer.

Except for the above-mentioned matters, for the year ended 31 December 2024, the Group had no other significant investments, acquisitions, or disposals related to subsidiaries, associates, and joint ventures that required disclosure.

GEARING RATIO (OR CAPITAL TO DEBT RATIO)

As of 31 December 2024, the Group's gearing ratio was 35.8%, calculated as the percentage of total outstanding borrowings to equity attributable to the parent company's owners.

CONTINGENT LIABILITIES

As of 31 December 2024, the Group had no significant contingent liabilities.

FUTURE PROSPECTS AND STRATEGIES

The global economic recovery currently faces significant challenges, with trade growth encountering numerous obstacles. Geopolitical uncertainties persist, potentially impacting commodity price fluctuations. Numerous governments are facing increasing debt risks, while household income growth slows, making it difficult for market demand to achieve substantial growth in the short term. The additional tariffs imposed by the United States are expected to drive up the prices of imported goods, exacerbating domestic inflationary pressures and potentially delaying the pace of interest rate cuts. As inflationary pressures impact consumer behavior, there is a potential shift toward lower-cost goods. Additionally, these policies are likely to impact the scale of China's exports to the U.S., with certain segments of the industrial supply chain continuing to shift from China to other countries. However, in the short term, large-scale substitution of China's well-established and integrated supply chain remains challenging. In response, China's industrial chains are accelerating their transformation and upgrading while exploring new market opportunities. The increasing influence of trade unilateralism and protectionism is reshaping global supply chains and trade structures, reinforcing regionalisation trends. Supply chain layouts are becoming more closely aligned with consumer markets, with a growing tendency toward geographical diversification. Meanwhile, China's domestic market is also grappling with insufficient demand. However, the country's vast market size, comprehensive industrial system, well-developed infrastructure, and abundant high-quality human resources – combined with government policies aimed at stimulating domestic consumption – continue to provide significant growth potential.

In 2024, the Group emerged from its business trough and returned to a growth trajectory, despite persistent macroeconomic challenges, including weak market demand, intensifying industry competition, and rising manufacturing costs. Against this backdrop, the industrial supply chain is evolving toward high- quality development through market-driven optimisation and consolidation. The application of artificial intelligence and automation in manufacturing is accelerating the transformation of traditional production models. The Group remains committed to its core operational philosophy of "creating value for customers", with a strategic focus on strengthening its core competitiveness and laying a solid foundation for long-term development. The Group maintains full confidence and an optimistic outlook for the future.

The Group will further integrate and optimise the respective advantages of its domestic and overseas facilities, expanding production capacity at overseas bases while enhancing the vertical integration of overseas supply chains. By leveraging localised synergies within the supply chain, the Group will continue to improve overall production efficiency, enhance technical knowledge sharing between different facilities, and accelerate responsiveness to customer demands. A structured allocation of production capacity across domestic and overseas bases will be implemented to meet diverse market needs while effectively reducing customers' overall procurement costs.

Furthermore, the Group will proactively expand market demand through multiple channels. Product portfolio adjustments will be made flexibly in response to evolving consumer preferences to ensure optimal capacity utilisation. Investments in new fabric R&D will be intensified, with a focus on the adoption of advanced materials and processes. Through product diversification and differentiated performance features, the Group aims to enhance market competitiveness. By offering high-quality products, rapid response capabilities, and comprehensive services, the Group seeks to strengthen its share of procurement among key customers. In line with production capacity expansion, new high-potential customers will be selectively introduced while ensuring stable support for existing core clients.

The Group places a strong emphasis on leveraging advanced productivity drivers to propel industry development. It will increase investments in the collaborative development and industrial application of automation technologies, the exploration of AI-driven manufacturing solutions, and the enhancement of workplace environments and employee welfare facilities. The Group's aims to achieve "de-skilling, efficiency enhancement, and workplace comfort" across its production processes. De-skilling focuses on reducing training periods, improving employee productivity, ensuring product quality consistency, and expediting the ramp-up time for new factories. Efficiency enhancement aims to maximise resource utilisation, reduce production costs, and optimise overall operational performance. Workplace comfort involves improving working conditions, reducing labor intensity, enhancing employee well-being in areas such as housing and dining, and fostering workforce stability by sharing the benefits of corporate growth with employees.

In 2025, the Group will closely monitor shifts in the operating environment and demand trends, adopting agile strategies to navigate industry competition and market uncertainties. Confident in sustaining the strong growth momentum of the previous year, the Group anticipates maintaining a high capacity utilisation rate, with new overseas production capacity gradually coming online. The Group's industrial foundation will be further strengthened.

Looking ahead, the Group will remain committed to technology-driven innovation and sustainable development as core pillars of growth. By advancing Intelligent Manufacturing, green production, and digital transformation, the Group will drive industrial upgrades, enhance supply chain synergies, strengthen customer collaboration, and achieve sustained improvements in production efficiency and stable business expansion.

EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that had significant impacts on the Group after 31 December 2024 and up to the Latest Practicable Date.

CORPORATE GOVERNANCE

The Board has adopted its own corporate governance code since 9 October 2005, which covers all the provisions of the Corporate Governance Code (the "CG Code") set out in Appendix C1 of the Listing Rules, as well as the majority of the recommended best practices. Throughout the year ending 31 December 2024 (the "Report Date"), the Company has complied with all the provisions of the Corporate Governance Code.

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 (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee") of the Company are regularly revised based on amendments to the Listing Rules and the CG Code. The terms of reference, the list of directors, and their respective roles are available on both the Company's website and the HKEX website.

Directors' Responsibilities and Management's Functions

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.

The overall management of the Company's operation is vested in the Board. The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group and monitoring and controlling the Group's operation and financial performance. The Board oversees and provides strategic guidance to senior management in order to enhance the long-term value of the Company for its shareholders. The Board may delegate its authority and responsibilities to the senior management for the day-to-day management, administration and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions being entered into by the senior management. The day-to-day management is conducted by senior management and employees of the Company, under the direction of the Executive Chairman and co-CEOs and the oversight of the Board.

Independent Non-Executive Directors

For the year ended 31 December 2024, 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 independent non-executive director regarding their independence in accordance with Rule 3.13 of the Listing Rules and considers all independent non-executive directors to be independent.

During the year ended 31 December 2024, the summary of training received by the Directors is as follows:

Name of Directors	Types of training (Notes)
Executive Directors	
Mr. Jianrong Ma	A&B
Mr. Guanlin Huang	A&B
Mr. Renhe Ma	A&B
Mr. Cunbo Wang	A&B
Mr. Jijun Hu	A&B
Independent Non-executive Directors	
Mr. Bingsheng Zhang	A&B
Mr. Xinggao Liu	A&B
Ms. Chunhong Liu	A&B
Ms. Feirong Wang	A&B

A: attending seminars organised by the Company

B: reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable legal and regulatory requirements

Corporate Governance Functions

In accordance with the code provision A.2.1 of the Corporate Governance Code, the Company adopted the terms of reference for corporate governance functions on 26 March 2012, and they became effective on 1 April 2012. The Board is responsible for formulating, reviewing, and overseeing corporate governance policies, making recommendations, providing training and continuous development for Directors and senior management, ensuring compliance with regulations, and ensuring that employees and Directors adhere to the ethical standards and compliance handbook.

Communication 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 annual general meeting (“AGM”) of the Company to be convened to be held on 27 May 2025 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.

Corporate Governance Report

BOARD OF DIRECTORS

As of the date of this annual report, 23 April 2025, the Board comprises five executive Directors and four independent non-executive Directors. The personal biographies of the Directors and their familial relationships are detailed in the "Biographies of Directors and Senior Management" section on pages 26 to 28. The Directors have no other significant financial, business, or related relationships apart from the disclosed information.

The Board is the governing authority of the Company, responsible for managing shareholders' assets, formulating business strategies, reviewing financial statements, setting dividend policies, and managing significant matters. Day-to-day operations are delegated to the executive directors or the executive vice president. The Board regularly reviews its authority and responsibilities to ensure the effective performance of its duties.

Each member of the Board has direct and independent access to senior management, the ability to review company information to understand the operational status, business activities, and developments, and the right to seek independent professional advice at the Company's expense. The Board conducts an annual review to ensure the effectiveness of the mechanisms in place for obtaining independent opinions and external information.

All Directors are required to disclose their directorships or other positions held in other companies or organisations at the time of their initial appointment and update these declarations annually. In the event that the Board identifies a potential conflict of interest during the consideration of any proposal or transaction, the director concerned must disclose the conflict and abstain from voting.

Directors are required to disclose any direct or indirect interests in relation to any motion or transaction being considered at Board meetings and, where applicable, abstain from the discussion. In accordance with the Company's policies, the Directors must annually confirm whether they or their associates have engaged in any transactions with the Company or its subsidiaries. Any confirmed material related-party transactions are disclosed in the notes to the financial statements in this annual report.

CHAIRMAN AND GROUP PRESIDENTS

The roles of the Chairman of the Board and the Group Presidents & Co-CEOs are separate and distinct. The Chairman of the Board is responsible for overseeing the Board and making significant strategic decisions for the Group, while the Group Presidents & Co-CEOs are responsible for managing the day-to-day operations of the Group, with clearly defined responsibilities. Mr. Jianrong Ma serves as the Chairman of the Board, and Mr. Guanlin Huang and Mr. Renhe Ma serve as Presidents and Co-Chief Executive Officers.

Independence of Independent Non-Executive Directors

As of the date of this report (23 April 2025), independent non-executive Directors represent approximately 44.4% of the Board's members. They possess a broad range of expertise and provide robust checks and balances to protect the overall interests of the shareholders and the Group. The primary responsibility of the independent non-executive Directors is to provide independent and objective opinions to the Board to assist in decision-making. The Board believes that independent non-executive Directors contribute to enhancing the Board's effectiveness and decision-making capability by offering independent perspectives, objective judgment, and constructive challenges. All independent non-executive Directors have submitted annual independence confirmations and comply with the independence requirements under the Listing Rules.

Board Procedures

The Board meets regularly to review operations, financial performance, corporate governance, and strategic direction. Notices are issued at least 14 days in advance, with agendas and materials provided three days prior to ensure the Directors have sufficient time for review and decision-making.

The Company Secretary is responsible for preparing minutes of Board and board committee meetings. Directors may access meeting records and documents with reasonable notice. Draft and final versions of meeting minutes are circulated to all Directors for review and record-keeping. In 2024, the Board held five meetings, with full attendance. The Board convenes at least four meetings annually, with additional meetings held as necessary to establish overall policies and guidelines, set strategic objectives, and approve interim and annual results, as well as other significant matters. In addition, the Chairman holds regular meetings with all independent non-executive Directors to discuss business matters and key areas of concern.

BOARD DIVERSITY

The Group upholds a Board Diversity Policy, considering gender, age, cultural background, ethnicity, industry experience, skills, knowledge, and tenure when appointing or reappointing directors. The Board reviews this policy annually, setting measurable targets to track progress. As of this report's publication, the Board comprises nine members – seven men and two women – exceeding HKEX requirements for gender diversity. Management continues to seek qualified candidates to further enhance female representation and overall diversity, which has also been reflected in the Group's workforce. As of the date of this report, approximately 77.8% of the Directors and 28.8% of the employees (including senior management) were male. The Group maintains a gender-neutral hiring approach, ensuring all roles are based on merit, with no preference for any gender in terms of competence or skills.

BOARD COMMITTEES

To oversee key matters and support its functions, the Board has established three committees: the Audit Committee, the Remuneration Committee, and the Nomination Committee. The latter two are primarily composed of independent non-executive Directors to ensure independence, while the Audit Committee consists exclusively of independent non-executive Directors. Each committee operates under defined terms of reference, available on the Company's website (www.shenzhouintl.com) and the HKEX website (www.hkexnews.hk). All committees are provided with sufficient resources to fulfill their duties and regularly report to the Board, offering recommendations on key issues and decisions.

REMUNERATION COMMITTEE

Established on 9 October 2005, in accordance with the Corporate Governance Code. As of the date of this report, the Remuneration Committee comprises executive Director Mr. Renhe Ma and independent non-executive Directors Mr. Bingsheng Zhang, Ms. Chunhong Liu, and Ms. Feirong Wang. Mr. Bingsheng Zhang is the Chairman of the Remuneration Committee.

The Remuneration Committee formulates remuneration policies for the Directors and senior management, ensuring transparency. It assesses the performance of executive Directors, approves the terms of executive Directors' service contracts, and recommends to the Board on the individual executive Director's and senior management member's remuneration packages, with the Directors abstaining from discussions on their own compensation. Details are in note 9 of the financial statements.

Focused on fairness and competitiveness, the Remuneration Committee sets remuneration based on market benchmarks, workload, and responsibilities.

In 2024, it held one meeting with full attendance to review the Directors' and senior management's remuneration.

Remuneration details for the Company's 10 senior management members (see page 28 for profiles) for the year ended 31 December 2024, are as follows:

Remuneration band (RMB'000)	Number of individual
1,000 to 2,000	3
Above 2,000	7

NOMINATION COMMITTEE

The Nomination Committee was established on 9 October 2005. As of this report's publication, the Nomination Committee comprises executive Director Mr. Jianrong Ma and independent non-executive Directors Mr. Xinggao Liu, Mr. Bingsheng Zhang, and Ms. Feirong Wang. Mr. Jianrong Ma is the Chairman of the Nomination Committee.

The Nomination Committee's main responsibilities are to identify suitable director candidates and make recommendations to the Board. It also regularly reviews the Board's structure, size, and diversity (including skills, knowledge, and experience), providing advice on proposed changes.

The Company has adopted a Nomination Policy, under which the Nomination Committee considers various factors when evaluating director candidates, including reputation, experience in manufacturing (particularly in the textile and apparel industries), time commitment, and diversity factors (such as ethnicity, gender, age, education, professional experience, skills, and tenure).

In 2024, the Nomination Committee held two meetings, with all members in attendance, and reviewed the appointments and re-elections of directors for approval by shareholders at the Annual General Meeting.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Upon recommendation by the Nomination Committee, any individual may be appointed as a director by shareholders at the Annual General Meeting or by the Board. According to the Articles of Association, newly appointed directors or those filling vacancies will hold office until the next Annual General Meeting, at which they must stand for re-election. All directors are required to retire every three years and seek re-election by shareholders. independent non-executive Directors serve a term of no more than three years, which may be automatically renewed for another three years. Any independent non-executive Director who has served on the Board for more than nine years must have their reappointment approved by shareholders through an independent resolution.

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 annual report, the Audit Committee comprises four independent non-executive Directors, namely Ms. Feirong Wang, Ms. Chunhong Liu, Mr. Xinggao Liu and Mr. Bingsheng Zhang. Ms. Feirong Wang is the Chairman of the Audit Committee.

The Audit Committee is responsible for reviewing the Group's financial practices, risk management, and internal controls, ensuring the integrity of the financial statements and the effectiveness of monitoring systems. Its terms of reference are aligned with the Hong Kong Institute of Certified Public Accountants' guidelines and the Corporate Governance Code.

In collaboration with management and external auditors, the Audit Committee reviewed the Group's performance, accounting principles, and financial statements, including those for the year ending 31 December 2024. Two meetings were held with external auditors, with all members in attendance, to discuss audit procedures and accounting matters.

The table below outlines the attendance details of each director at the Annual General Meeting, Board meetings, and board committee meetings in 2024. The overall attendance rate for Board meetings was 100%.

	Meetings Attended/Held				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	AGM
Executive Directors					
Mr. Jianrong Ma	5/5	–	–	2/2	1/1
Mr. Guanlin Huang	5/5	–	–	–	1/1
Mr. Renhe Ma	5/5	–	1/1	–	1/1
Mr. Cunbo Wang	5/5	–	–	–	1/1
Mr. Jijun Hu*	4/5	–	–	–	1/1
Independent Non-executive Directors					
Mr. Bingsheng Zhang	5/5	2/2	1/1	2/2	1/1
Mr. Xinggao Liu	5/5	2/2	–	2/2	1/1
Ms. Chunhong Liu	5/5	2/2	1/1	–	1/1
Ms. Feirong Wang*	4/5	1/2	0/1	1/2	1/1

* These directors were only appointed in April 2024. They have attended all the above meetings since taking office.

FINANCIAL REPORTING

The Board acknowledges its responsibility to prepare true and fair financial statements in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Company adopts appropriate accounting policies and applies them consistently, with all judgments and estimates being prudent and reasonable. The Board is committed to providing a fair and easily understandable assessment of the Group's current position and future prospects in the financial reports.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for assessing and managing the Company's risks, ensuring an effective risk management and internal control system to report the Company's operations to shareholders and the public. The system aims to enhance operational efficiency, safeguard assets, ensure accurate financial reporting, and comply with laws and regulations, while managing business risks.

Risk management is integrated into daily operations, with management responsible for identifying, monitoring, and addressing risks. Management evaluates acceptable risk levels, develops contingency plans, and reports outcomes to the Audit Committee and Board. The Audit Committee and Board guide the Group's risk management strategy and determine acceptable risks.

The Internal Audit Department, reporting to the Chairman, functions effectively in reviewing operations and processes, investigates concerns, and reporting findings to the Audit Committee, Board, and senior management.

The Board reviews the risk management and internal control systems annually, assisted by the Audit Committee, and assesses their effectiveness as of 31 December 2024. The system covers financial reporting, operations, compliance, and risk management, and the Board concludes it is effective and adequate.

The Group has procedures for handling and disclosing inside information, ensuring material information is promptly reported to the Board and disclosed as required by laws and regulations. Since 27 March 2017, the Company has implemented a policy for standardised disclosure responsibilities and procedures.

EXTERNAL AUDITOR

The Group's independent external auditor is Ernst & Young. The Audit Committee is responsible for reviewing their appointment and non-audit services, assessing any potential conflicts of interest.

For the year ended 31 December 2024, Ernst & Young received RMB3,788,000 for audit services and RMB1,300,000 for non-audit services, primarily related to tax consulting.

The Board is satisfied with the audit fees, process, and efficiency of Ernst & Young and recommends their reappointment as the Company's external auditor at the upcoming Annual General Meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Securities Trading Code") as the standard for directors' securities transactions. All Directors receive a copy of the Securities Trading Code upon appointment and are reminded twice annually, 30 days before the Board meeting for the interim results and 60 days before the meeting for the full-year results, not to trade the Company's securities during the period prior to performance announcements. All transactions must comply strictly with the Securities Trading Code.

After specific inquiry, all Directors have confirmed that they have fully complied with the Securities Trading Code for the year ended 31 December 2024. Senior management, due to their access to unpublished price-sensitive and internal information, are also required to adhere to the trading restrictions set out in the Securities Trading Code.

COMPANY SECRETARY

Mr. Tak Hing Kenji Chan, the Company Secretary, is responsible for the operation and communication coordination of the Board. His biography can be found on page 27 of this annual report. During the year, Mr. Chan completed no less than 15 hours of professional training to enhance his skills and knowledge.

INVESTOR RELATIONS AND COMMUNICATION

The Board of Directors values shareholder communication and provides operational and financial updates via the annual report, interim report, and AGM. Shareholders are encouraged to express their views directly to the Board. The Investor Relations team engages with analysts and investors, offering updates on strategy and developments. The Company issues announcements periodically and responds to investor inquiries, with the latest information available on its website at www.shenzhouintl.com. To ensure transparency, website content is updated regularly, and shareholders may request a printed version from the Company Secretary free of charge. The Company upholds a policy of open communication and fair disclosure, believing that comprehensive information enhances corporate governance and market confidence.

The Board and senior management are committed to representing shareholders' interests and enhancing shareholder value. The Company encourages shareholders to submit proposals at annual general meetings or extraordinary general meetings. Shareholders who wish to do so should submit a written notice to the Company's registered office, addressed to the Company Secretary. For inquiries, shareholders may contact the Company Secretary via telephone at +852-2310-4920 or email at contactus@shenzhougroup.com, or raise questions during the meetings. Shareholders seeking further details on the relevant procedures may also consult the Company Secretary.

According to the Company's Articles of Association, shareholders holding no less than one-tenth of the paid-up share capital may submit a written request to the Board or the Company Secretary to convene an extraordinary general meeting to address specific matters. If the Board fails to convene the meeting within 21 days, shareholders may convene the meeting themselves, and the Company will reimburse reasonable expenses incurred.

The Company continuously evaluates and enhances its corporate governance framework based on practical experience, regulatory requirements, and global developments to ensure steady improvements in governance standards.

ARTICLES OF ASSOCIATION

To comply with the laws of the Cayman Islands and the listing rules of the Hong Kong Stock Exchange, the Company has amended its Articles of Association, which were approved at the Annual General Meeting on 28 May 2024. Details of the amendments can be found in the announcements dated 26 March 2024, and 28 May 2024.

As of the year ended 31 December 2024, no other significant changes have been made to the Articles of Association.

Biographical Details of Directors and Members of Senior Management

EXECUTIVE DIRECTOR

Mr. Jianrong Ma, aged 60, is the Executive Chairman of the Group, as well as the chairman of the Nomination Committee. He brings over 40 years of extensive experience in the industry. Prior to joining Shenzhou in 1989, Mr. Ma worked in a cotton spinning mill and a knitwear factory. Since joining the Group, he has held several key positions within its earliest operating entity, Shenzhou Weaving Group Co., Ltd., including the manager of the weaving department, the Deputy General Manager, and the General Manager. Mr. Ma has served as the Executive Chairman since April 2005, overseeing strategic planning, leading the Board, guiding major decisions, and coordinating the overall business development of the Group. He is the brother-in-law of Mr. Guanlin Huang (President and Co-CEO) and Mr. Shan Jin (an Executive Vice President of the Company), and the cousin of Mr. Renhe Ma (President and Co-CEO) (their fathers are brothers).

Mr. Guanlin Huang, aged 59, is a President and Co-CEO of the Group. After joining Shenzhou, Mr. Huang served as the Manager of the production and operations department, as well as the Deputy General Manager. Since 2005, he has served as the General Manager. From October 2005 to March 2012, Mr. Huang was the chairman of the Nomination Committee, and in August 2024, he was appointed as one of the Presidents and Co-CEOs. Mr. Huang is the brother-in-law of Mr. Jianrong Ma.

Mr. Renhe Ma, aged 64, is a President and Co-CEO of the Group, as well as a member of the Remuneration Committee. After joining Shenzhou, Mr. Ma served as the Manager of the dyeing and finishing department and the Deputy General Manager. He served as the chairman of the Remuneration Committee from October 2005 to March 2012 and later became a member of the Remuneration Committee. In August 2024, Mr. Ma was appointed as one of the Group's Presidents and Co-CEOs. Mr. Ma is a cousin of Mr. Jianrong Ma (their fathers are brothers).

Mr. Cunbo Wang, aged 53, is an Executive Vice President (EVP) and the Chief Financial Officer of the Group. Prior to joining the Group, he worked as a Partner and Deputy General Manager in a CPA firm and a corporate management consulting firm in PRC. He obtained the PRC certified public accountant certificate, the PRC registered tax agent certificate and the PRC public certified accountant's license to perform securities and futures-related business.

Mr. Jijun Hu, aged 55, is an EVP, and General Manager of the southeast asia garment operations of the Group. Mr. Hu joined the Group in 1989 and has served as the Deputy Manager of the production and operations department and the Vice General Manager of the Group, responsible for sales-related operations. In April 2024, Mr. Hu was appointed as an executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Bingsheng Zhang, aged 64, is an independent non-executive Director, a member of the Audit, Remuneration, and Nomination Committees, and the chairman of the Remuneration Committee. Mr. Zhang holds a bachelor's degree in history and a Ph.D. in international law. He is the standing director of Chinese Society of International Economic and Trade Law Research, an arbitrator in various arbitration commissions, and a lawyer at Zhejiang Alljoin Law Firm. Since February 2021, he has served as an independent director of Zhejiang Reclaim Construction Group Co., Ltd. (a company listed on the main board of the Shenzhen Stock Exchange).

Ms. Chunhong Liu, aged 56, is an independent non-executive Director and a member of the Audit and Remuneration Committees. She holds a bachelor's degree and a master's degree in mechanical engineering in textile machinery and a Ph.D. in business management. Ms. Liu previously served as the vice president of Donghua University and the chairwoman of Shanghai Shanghu Digital Technology Limited. She is currently a professor at Donghua University, the chairwoman of the Shanghai Fashion Accessories Society, and an independent non-executive director of HOdo (a company listed on the main board of the Shanghai Stock Exchange).

Mr. Xinggao Liu, aged 56, is an independent non-executive Director and a member of the Audit and Nomination Committees. Mr. Liu holds a bachelor's degree and a master's degree in control engineering, as well as a Ph.D. in engineering. He is currently a professor and doctoral supervisor at the College of Control Science and Engineering of Zhejiang University, and a member of the Institute of Electrical and Electronics Engineers and the Institution of Engineering and Technology.

Ms. Feirong Wang, aged 50, was appointed as an independent non-executive Director, the chairman of the Audit Committee, and a member of the Remuneration and Nomination Committees in April 2024. She holds a bachelor's degree in industrial management engineering, a master's degree in technology economics and management, and a Ph.D. in management science and engineering. Ms. Wang is a professor at the College of Management of Zhejiang University of Technology. She is a member of the Chinese Institute of Certified Public Accountants.

COMPANY SECRETARY

Mr. CHAN Tak Hing, Kenji, aged 53, serves as the Company Secretary of the Group. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a certified tax adviser in Hong Kong.

Biographical Details of Directors and Members of Senior Management

SENIOR MANAGEMENT

Mr. Lan Chen, aged 58, is an EVP of the Group responsible for raw materials procurement business and the General Manager of weaving mills garment business.

Mr. Honghui Yang, aged 56, is an EVP of the Group, responsible for production planning, industrial engineering and auxiliary materials procurement business.

Mr. Shan Jin, aged 51, is an EVP of the Group responsible for garment manufacturing equipment management and the General Manager of garment production base in Ningbo.

Mr. Gaofeng Zhou, aged 43, is a Senior Vice President (SVP) of the Group and the General Manager of garment production base in Ho Chi Minh City.

Mr. Tao Jiang, aged 57, is a SVP of the Group, responsible for one of the Group's business divisions.

Mr. Bin Ma, aged 52, is a SVP of the Group, responsible for one of the Group's business divisions.

Mr. Qing Song, aged 53, is a SVP of the Group, responsible for one of the Group's business divisions.

Mr. Xianghui Zhuang, aged 46, is a SVP of the Group, responsible for one of the Group's business divisions.

Mr. Sadik Kayacik, aged 51, is a SVP of the Group, leading research and development for garment production automation.

Mr. Cheng Zhou, aged 41, is a SVP of the Group, responsible for internal audit.

Report of the Directors

The Directors of Shenzhou International Group Holdings Limited (the "Company") are pleased to submit their report together with the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding and garment trading. The primary activities of its principal subsidiaries are set out in note 1 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 4 to the financial statements and the Management Discussion and Analysis section of this annual report.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position and principal risks and uncertainties facing the group are provided in the Chairman's Statement, Financial Review and Business Review sub-sections in the Management Discussion and Analysis section respectively from page 6, pages 11 to 15 and pages 10 to 11 of this annual report. The future development of the Group's business is discussed throughout this annual report including in the Chairman's Statement and Future Prospect and Strategies sub-section in the Management Discussion and Analysis section from page 6 and pages 16 to 17 of this annual report. In addition, more details regarding the Group's performance by reference to environmental and social- related key performance indicators and policies, are provided in the Group's 2024 Environmental, Social and Governance Report published at the same time as this annual report. The discussion above forms part of this Report of the Directors.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, customers and suppliers, please refer to the Group's 2024 Environmental, Social and Governance Report issued on 23 April 2025, as well as the relevant sections in the Report of the Directors, notes to the financial statements and the Management Discussion and Analysis in this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2024 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 44 to 119.

The Board recommends the payment of a final dividend of HKD1.28 (equivalent to approximately RMB1.19) per ordinary share for the year ended 31 December 2024 to shareholders whose names appear on the register of members of the Company on 11 June 2025. However, the proposed payment of the dividend shall be subject to approval by shareholders at the forthcoming AGM to be held on 27 May 2025 and subject to such approval having been obtained, the payment of such dividend is expected to be on 25 June 2025.

Interim dividend of HKD1.25 (equivalent to approximately RMB1.14) per share was declared for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HKD0.95 per Share) to the shareholders whose names appeared on the register of members of the Company at the close of business on 16 September 2024. The interim dividend was paid on 27 September 2024.

There was no arrangement under which a shareholder of the Company had waived or agreed to waive any dividend during the year ended 31 December 2024.

BOOK CLOSURE

The register of members of the Company will be closed from Thursday, 22 May 2025 to Tuesday, 27 May 2025, 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, 21 May 2025.

The register of members of the Company will be closed from Friday, 6 June 2025 to Wednesday, 11 June 2025, 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, 5 June 2025.

DIVIDEND POLICY

The Company has adopted a dividend policy. In deciding whether to propose a dividend and in determining the dividend amount, the Board will take into account the Group's earnings performance, financial position, investment requirements and future prospects.

The payment of dividend is also subject to any restrictions under the applicable laws and the Company's Articles of Association.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately RMB3,673,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in the authorised or issued share capital of the Company are set out in note 29 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2024, calculated in accordance with the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to RMB32,853,795,000, of which RMB1,781,739,000 has been proposed as final dividend for the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction under the laws of Cayman Islands, which would oblige the Company to offer such rights on a pro rata basis to existing shareholders during new shares issue.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 4.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2024.

SHARE SCHEME

No share scheme was operated by the Company as at 31 December 2024.

DIRECTORS

The Directors during the year and up to the Latest Practicable Date were:

Executive Directors:

Mr. Jianrong Ma
Mr. Guanlin Huang
Mr. Renhe Ma
Mr. Cunbo Wang
Mr. Jijun Hu

Independent Non-executive Directors:

Mr. Bingsheng Zhang
Ms. Chunhong Liu
Mr. Xinggao Liu
Ms. Feirong Wang

In accordance with Articles 87(1) and 87(2) of the Company's Articles of Association, Mr. Jianrong Ma, Mr. Cunbo Wang and Mr. Bingsheng Zhang shall retire by rotation at the forthcoming AGM and, being eligible, have offered themselves for re-election thereat. In accordance with Article 86(3) of the Company's Articles of Association, any Director appointed by the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

The independent non-executive Directors are appointed for a term of three years. The Company has received annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers that they are all independent.

In accordance with Rule 13.51B(1) of the Listing Rules, there are no changes to information required to be disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) for the year ended 31 December 2024 and up to the Latest Practicable Date.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors entered into a service contract with the Company for a term of three years which will be automatically renewed for another term of three years subject to compliance with the Articles of Association of the Company and the Listing Rules until it is terminated pursuant to the terms of the respective service contract. According to the respective service contract, it may be terminated at any time by either party giving the other party not less than three months' prior written notice.

Each of the independent non-executive Directors entered into a service contract with the Company for a term of three years which will be automatically renewed for another term of three years subject to compliance with the Articles of Association of the Company and the Listing Rules until it is terminated pursuant to the terms of the respective service contract. According to the respective service contract, it may be terminated at any time by the independent non-executive Director giving not less than three months' prior written notice.

Under the respective service contracts, each of the executive Directors is entitled to an annual discretionary management bonus as the Remuneration Committee of the Board may approve, provided that the aggregate amount of the discretionary management bonuses payable to all executive Directors in respect of any financial year of the Group would not exceed 5% of the net profits of the Group after taxation and minority interests and less the aggregate amount of the discretionary management bonuses but before non- recurring items for the relevant financial year.

None of the Directors offering themselves for re-election at the forthcoming AGM has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year ended 31 December 2024 and as at the Latest Practicable Date, pursuant to the Articles of Association of the Company and subject to the provisions of the Companies Law of the Cayman Islands, every Director, auditor or other officer of the Company was entitled to be indemnified out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him/her as a Director, auditor or other officer of the Company, other than for any matter in respect of any fraud or dishonesty which may attach to any such persons. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year in respect of any legal actions which may be taken against the Directors and officers in the execution and discharge of their duties or in relation thereto.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors are set out in note 9 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

During the year ended and as at 31 December 2024, no arrangement subsisted to which the Group was a party, and the object of which was to enable any Director to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

Save as disclosed under the heading "Connected transactions" and "Continuing connected transactions" below and "Related party transactions" in note 35 to the financial statements, no Director or an entity connected with a Director had a material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during or at the end of the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2024, none of the Directors had any interest in any business which competes or is likely to compete, directly or indirectly with the Group's business.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND MEMBERS OF SENIOR MANAGEMENT

Brief biographical details of the Directors of the Company and members of the senior management of the Group are set out on pages 26 to 28.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

As at 31 December 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept under section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Securities Trading Code, were as follows:

Long positions in ordinary shares of the Company

Name	Notes	Capacity and Nature of Interest	Number of Shares	Percentage of the Issued Share Capital of the Company (%)
Mr. Jianrong Ma	1	Interest of controlled corporations	636,806,950	42.36%
Mr. Renhe Ma	2	Interest of controlled corporations	74,196,250	4.94%

Notes:

1. As at 31 December 2024, 636,806,950 Shares were held by Keep Glory Limited ("Keep Glory"), a company incorporated in the British Virgin Islands with limited liability, which in turn was owned as to 78.28% by Splendid Steed Investments Limited ("Splendid Steed"), 14.65% by BMX (HK) LTD. ("BMX") and 7.07% by Super China Enterprises Limited ("Super China"). Splendid Steed, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Jianrong Ma. BMX, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Guanlin Huang (brother-in-law of Mr. Jianrong Ma and son-in-law of Mr. Baoxing Ma). Super China, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Baoxing Ma (father of Mr. Jianrong Ma). By virtue of the SFO, Mr. Jianrong Ma is deemed to be interested in the 636,806,950 Shares held by Keep Glory.

2. As at 31 December 2024, 74,196,250 Shares were held by Fairco Group Limited ("Fairco"), a company incorporated in the British Virgin Islands with limited liability, which in turn was owned as to 74.67% by MCC Group Ltd ("MCC") and 25.33% by certain senior management of the Group including Mr. Cunbo Wang and Mr. Jijun Hu (all being the then executive Directors). MCC, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Renhe Ma, an executive Director and a cousin of Mr. Jianrong Ma. By virtue of the SFO, Mr. Renhe Ma is deemed to be interested in the 74,196,250 Shares held by Fairco.

Save as disclosed above, as at 31 December 2024, none of the Directors and chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the Securities Trading Code.

At no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or its associated corporation.

No equity-linked agreements were entered into by the Company during the year ended 31 December 2024, or subsisted at the end of 31 December 2024.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

At 31 December 2024, the following persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company, were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Notes	Capacity and Nature of Interest	Number of Shares	Percentage of the Issued Share Capital of the Company
Keep Glory	1	Beneficial owner	636,806,950	42.36%
Splendid Steed	1	Interest of controlled corporations	636,806,950	42.36%
Schroders PLC	2	Investment manager	104,635,318	6.96%

Notes:

1. As at 31 December 2024, 636,806,950 Shares were held by Keep Glory, a company incorporated in the British Virgin Islands with limited liability, which is owned as to 78.28% by Splendid Steed, 14.65% by BMX and 7.07% by Super China. Splendid Steed, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Jianrong Ma. BMX, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Guanlin Huang (brother-in-law of Mr. Jianrong Ma and son-in-law of Mr. Baoxing Ma). Super China, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mr. Baoxing Ma (father of Mr. Jianrong Ma). By virtue of the SFO, Splendid Steed is deemed to be interested in the 636,806,950 Shares held by Keep Glory. Such interests duplicate with Mr. Jianrong Ma's interests set out under the heading "Directors" and Chief executives' interests and short positions in the shares of the Company above.

2. As at 31 December 2024, 104,635,318 Shares were held by Schroders PLC through several controlled entities, of which, 447,000 Shares were unlisted derivatives – cash settled.

Save as disclosed above, as at 31 December 2024, no person (other than a Director or chief executive of the Company, whose interests are set out in the paragraph headed "Directors and Chief Executives' interests and short positions in the shares of the Company" above) had interest or short position in the shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

Save as disclosed under the heading "Connected transactions" and "Connected continuing transactions" below and "Related party transactions" in note 35 to the financial statements, no controlling shareholder or any of its subsidiaries had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The proportions of the Group's procurement and sales attributable to its major suppliers and customers for the year ended 31 December 2024, are as follows:

	Accounting for of procurement Percentage (%)	Accounting for of sales Percentage (%)
The largest supplier/customer	**20.72**	27.86
Total of top five suppliers/customers	**34.76**	85.37

Please refer to note 4 of the financial statements for details of the top four customers.

During the year, none of the Directors, their associates, or any shareholders (to the best of the knowledge of the Directors), holding more than 5% of the Company's share capital had any interest in these suppliers or customers.

CONNECTED TRANSACTIONS

In accordance with the disclosure requirements under Chapter 14A of the Listing Rules, certain related party transactions disclosed in note 35 of the financial statement also constitute continuing connected transactions under the Listing Rules. During the year ended 31 December 2024, several related parties (as defined under the Listing Rules) entered into and/or continued the transactions listed under the section "Continuing Connected Transactions" below. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules and has made the necessary announcements. Other related party transactions did not constitute connected transactions or continuing connected transactions of the Company.

CONTINUING CONNECTED TRANSACTIONS

Renewal of Lease for Certain Production Properties and Facilities

On 29 December 2022, the Company's wholly-owned subsidiary, Ningbo Shenzhou Knitting Co., Ltd. ("Shenzhou Knitting"), entered into a lease agreement (the "Lease Agreement") with Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties"). Under this agreement, Shenzhou Property agreed to lease garment production factories and employee dormitories to Shenzhou Knitting, with a lease term from 1 January 2023, to 31 December 2025. Shenzhou Knitting has the right to extend the lease for an additional three years at the then prevailing market rental or below. Shenzhou Knitting may terminate the lease agreement by giving Shenzhou Properties no less than three months' notice. The rent paid to Shenzhou Properties is determined based on the market rate or the cost of leasing the relevant properties plus a 5% profit margin. The Company's management has followed the procedures adopted by the Board to determine the market rental rate for similar properties leased by independent third parties, suggesting an annual rental fee of RMB38,798,028 (including the relevant value-added tax ("VAT")), based on market rental rates for similar properties and production facilities leased to independent third parties in Ningbo, China, and a valuation report. An independent valuer confirmed in the valuation report that the rental amount is fair and reasonable.

In accordance with HKFRS 16, the Group is required to recognise the right-of-use asset value related to the lease agreement. Under the Listing Rules, this continuing connected transaction is treated as the acquisition of an asset by the Group. The Group recognised the initial value of the right-of-use asset at an estimated value of approximately RMB106,176,720, calculated based on the present value of the total lease payments under the agreement. Shenzhou Properties is 80% owned by Mr. Jianrong Ma, an executive Director of the Company, and 20% owned by Ningbo Rongrong Industrial Investment Co., Ltd. ("Rongrong Industrial"), an associate of Mr. Ma. Pursuant to Rule 14A.07(4) of the Listing Rules, Shenzhou Properties is considered a connected person. During the year, the Group paid a total rent of RMB38,798,028 (including the relevant VAT) to Shenzhou Properties.

Details of the above continuing connected transactions are set out in the Company's announcement dated 29 December 2022.

The independent non-executive directors have reviewed the above continuing connected transactions and confirmed these transactions were: (1) conducted in the ordinary and usual course of the Group's business; (2) made on normal commercial terms or on terms no less favorable to the Company than those available or offered by independent third parties; and (3) executed in accordance with the terms of the relevant agreements, which were fair and reasonable and in the overall interest of the Company's shareholders.

In accordance with the procedures conducted, the Company's auditors also confirmed in their letter that they were not aware of any issues that would cause them to believe that the ongoing transactions: (1) were not approved by the Company's Board of Directors; (2) were not conducted in material compliance with the Group's pricing policy; (3) did not adhere to the regulatory requirements of the relevant agreements in all material respects; or (4) exceeded the annual cap amount disclosed in the Company's announcement dated 29 December 2022.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Hong Kong Financial Reporting Standards. The Board is responsible for monitoring the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company had maintained a sufficient public float throughout the year ended 31 December 2024 and as at the latest practicable date prior to the issue of this report.

TAX RELIEF

The Directors are not aware of any tax relief available to the shareholders by reason of their holding of the Company's shares.

EMOLUMENT POLICY

Emolument policy on the remuneration of the Directors and the employees of the Group is reviewed periodically and determined by reference to market terms, the Group's performance and individual qualifications and performance.

AUDITORS

Ernst & Young has audited the financial statements for the year ended 31 December 2024. A resolution for the re-appointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

By Order of the Board

Chairman of the Board
Jianrong Ma
Hong Kong, PRC, 25 March 2025

Independent Auditor's Report

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To the shareholders of Shenzhou International Group Holdings Limited
(Incorporated in the Cayman Islands as an exempted company with limited liability)

OPINION

We have audited the consolidated financial statements of Shenzhou International Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 44 to 119, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor 's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment risks for trade and bills receivables	
As at 31 December 2024, the Group had trade and bills receivables of approximately RMB6,151 million, which accounted for 11.6% of the Group's total assets. Management performed periodic assessment on the recoverability of the trade receivables and the sufficiency of provision for impairment based on information including the credit profile of different customers, ageing of the trade receivables, historical settlement records, subsequent settlement status, expected timing and amounts of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment. No credit loss allowance was provided based on management's impairment assessment. A high level of management estimation was required when assessing the impairment of trade and bills receivables under the expected credit losses model. The accounting policies and disclosures for trade and bills receivables are included in notes 2.4, 3 and 20 to the consolidated financial statements.	Our audit procedures to assess the impairment of trade and bills receivables included, but were not limited to, obtaining an understanding of and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and testing the effectiveness on a sample basis; checking the ageing of the trade receivables as at 31 December 2024 and subsequent settlements to bank receipts; inquiring of management for the on-going business relationship with the customers based on trade records; assessing the appropriateness of the expected credit loss provisioning methodology by examining the key data inputs on a sample basis to assess its accuracy and completeness, and reviewing the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Provision for obsolete raw materials and raw fabrics	
The gross raw materials and raw fabrics balances were material to the consolidated financial statements. Management assessed the ageing and condition of raw materials and raw fabrics at the end of each period. Significant management estimation was required when assessing the adequacy of provision. The accounting policies and disclosures for raw materials and raw fabrics and the related obsolescence provision are included in notes 2.4, 3 and 19 to the consolidated financial statements.	We assessed the processes, methods and assumptions used to develop the provision for obsolete items. This included comparing management's calculations for consistency against those used in the prior year. We evaluated the reasonableness of the percentages and other parameters adopted in the calculation of provision by comparing the net realisable value with the selling price achieved subsequent to the end of reporting period. We assessed, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing groups by comparing the individual items selected with the underlying records which indicated the ageing. We observed physical condition of raw materials and raw fabrics during stock take to identify slow-moving, damaged, or obsolete items, and inquired management if appropriate inventory provision had been provided for those raw materials and raw fabrics.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong, PRC

25 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**28,662,938**	24,969,792
Cost of sales		**(20,608,041)**	(18,909,916)
Gross profit		**8,054,897**	6,059,876
Other income	6	**1,234,771**	1,055,331
Selling and distribution expenses		**(276,283)**	(164,164)
Administrative expenses		**(1,938,336)**	(1,881,274)
Finance costs	8	**(375,348)**	(345,805)
Other gains/(expenses), net	6	**458,775**	258,700
Share of profits of an associate	18	**5,302**	12,837
PROFIT BEFORE TAX	7	**7,163,778**	4,995,501
Income tax expenses	12	**(923,197)**	(438,238)
PROFIT FOR THE YEAR		**6,240,581**	4,557,263
Attributable to:			
Owners of the parent		**6,240,581**	4,557,263
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14		
Basic and diluted			
For profit for the year (RMB)		**4.15**	3.03

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**6,240,581**	4,557,263
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(68,815)**	9,295
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(68,815)**	9,295
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(68,815)**	9,295
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,171,766**	4,566,558
ATTRIBUTABLE TO:		
Owners of the parent	**6,171,766**	4,566,558

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**10,763,046**	10,930,784
Right-of-use assets	16(a)	**1,938,816**	1,960,809
Intangible assets	17	**131,840**	128,528
Bank deposits – non-current	23	**1,165,918**	6,655,454
Long-term prepayments	21	**408,678**	327,710
Investment in an associate	18	**15,154**	13,470
Equity investments designated at fair value through other comprehensive income		**–**	720
Deferred tax assets	28	**112,611**	114,174
Total non-current assets		**14,536,063**	20,131,649
CURRENT ASSETS			
Inventories	19	**6,884,954**	6,124,735
Trade and bills receivables	20	**6,151,331**	5,023,635
Prepayments and other receivables	21	**484,563**	441,072
Amounts due from related parties	35(c)	**1,195**	3,341
Financial assets at fair value through profit or loss	22	**1,303,978**	803,889
Pledged deposits	23	**5,440**	14,712
Bank deposits – current	23	**12,871,494**	4,471,651
Cash and cash equivalents	23	**10,868,830**	11,596,453
Total current assets		**38,571,785**	28,479,488
CURRENT LIABILITIES			
Trade payables	24	**1,493,021**	1,198,212
Contract liabilities	25	**18,900**	23,353
Other payables and accruals	26	**1,695,053**	1,602,793
Amounts due to related parties	35(c)	**–**	3,558
Interest-bearing bank borrowings	27	**12,818,564**	10,203,968
Lease liabilities	16(b)	**47,371**	47,344
Tax payable		**753,254**	305,255
Total current liabilities		**16,826,163**	13,384,483

Consolidated Statement of Financial Position

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NET CURRENT ASSETS		**21,745,622**	15,095,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,281,685**	35,226,654
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	**–**	1,900,000
Lease liabilities	16(b)	**66,682**	110,758
Deferred tax liabilities	28	**362,108**	348,580
Total non-current liabilities		**428,790**	2,359,338
NET ASSETS		**35,852,895**	32,867,316
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**151,200**	151,200
Reserves	30	**35,701,695**	32,716,116
Total equity		**35,852,895**	32,867,316

Jianrong Ma
Executive Chairman and Executive Director

Guanlin Huang
President and Executive Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Notes	Attributable to owners of the parent									
		Share capital (note 29)	Share premium account*	Statutory surplus reserve* (note 30(i))	Exchange fluctuation reserve* (note 30(ii))	Employee equity benefits reserve*	Other Reserve* (note 30(iii))	Retained profits*	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023		151,200	297,183	1,852,584	363,060	48,191	130,590	27,910,110	30,752,918	12,866	30,765,784
Profit for the year		–	–	–	–	–	–	4,557,263	4,557,263	–	4,557,263
Exchange differences related to foreign operations		–	–	–	9,295	–	–	–	9,295	–	9,295
Total comprehensive income for the year		–	–	–	9,295	–	–	4,557,263	4,566,558	–	4,566,558
Effects of transaction with non-controlling interests		–	–	–	–	–	5,916	–	5,916	(12,866)	(6,950)
Final 2022 dividend declared	13	–	–	–	–	–	–	(1,141,404)	(1,141,404)	–	(1,141,404)
Interim 2023 dividend	13	–	–	–	–	–	–	(1,316,672)	(1,316,672)	–	(1,316,672)
Transfer from retained profits		–	–	77,363	–	–	–	(77,363)	–	–	–
As at 31 December 2023		151,200	297,183	1,929,947	372,355	48,191	136,506	29,931,934	32,867,316	–	32,867,316

	Notes	**Attributable to owners of the parent**							
		Share capital (note 29)	**Share premium account***	**Statutory surplus reserve* (note 30(i))**	**Exchange fluctuation reserve* (note 30(ii))**	**Employee equity benefits reserve***	**Other Reserve* (note 30(iii))**	**Retained profits***	**Total equity**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
As at 1 January 2024		**151,200**	**297,183**	**1,929,947**	**372,355**	**48,191**	**136,506**	**29,931,934**	**32,867,316**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**6,240,581**	**6,240,581**
Exchange differences related to foreign operations		**–**	**–**	**–**	**(68,815)**	**–**	**–**	**–**	**(68,815)**
Total comprehensive income for the year		**–**	**–**	**–**	**(68,815)**	**–**	**–**	**6,240,581**	**6,171,766**
Final 2023 dividend declared	13	**–**	**–**	**–**	**–**	**–**	**–**	**(1,471,198)**	**(1,471,198)**
Interim 2024 dividend	13	**–**	**–**	**–**	**–**	**–**	**–**	**(1,714,989)**	**(1,714,989)**
Transfer from retained profits		**–**	**–**	**132,533**	**–**	**–**	**–**	**(132,533)**	**–**
As at 31 December 2024		**151,200**	**297,183**	**2,062,480**	**303,540**	**48,191**	**136,506**	**32,853,795**	**35,852,895**

* These reserve accounts comprise the consolidated reserves of RMB35,701,695,000 (2023: RMB32,716,116,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,163,778**	4,995,501
Adjustments for:			
Finance costs	8	**375,348**	345,805
Share of profits of an associate	18	**(5,302)**	(12,837)
Interest income	6	**(1,075,710)**	(778,904)
Dividend income from equity investments at fair value through other comprehensive income	6	**–**	(234)
Fair value gains on financial assets at fair value through profit or loss, net		**(18,910)**	(83,395)
Loss/(gain) on disposal of items of property, plant and equipment	6	**35,774**	(39,702)
Gain on disposal of items of right-of-use assets	6	**(372,553)**	(9,427)
Foreign exchange losses from financing activities	31	**23,610**	8,731
Depreciation of items of property, plant and equipment	7	**1,401,333**	1,343,267
Depreciation of right-of-use assets	7	**98,013**	110,238
Amortisation of intangible assets	7	**22,654**	20,740
		7,648,035	5,899,783
(Increase)/decrease in inventories		**(760,219)**	136,068
Increase in trade and bills receivables		**(1,127,696)**	(18,468)
(Increase)/decrease in prepayments, deposits and other receivables		**(68,270)**	7,015
Decrease/(increase) in amounts due from related parties		**2,146**	(491)
Increase in trade payables		**294,809**	266,619
(Decrease)/increase in contract liabilities		**(4,453)**	9,892
Increase/(decrease) in other payables and accruals		**104,892**	(136,706)
Decrease in amounts due to related parties		**(3,558)**	(5,114)
Cash generated from operations		**6,085,686**	6,158,598
Interest paid		**(377,394)**	(346,205)
Hong Kong profits tax refunded/(paid)		**17,417**	(7,020)
Overseas withholding tax paid		**(9,534)**	(43,315)
Macao corporate income tax paid		**(187,081)**	(195,690)
Vietnam corporate income tax paid		**(111,791)**	(84,018)
Cambodia corporate income tax paid		**(458)**	(77)
PRC corporate income tax paid		**(143,881)**	(255,748)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**5,272,964**	5,226,525

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Net cash flows from operating activities		**5,272,964**	5,226,525
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**785,120**	678,547
Investment income received from financial products included in financial assets at fair value through profit or loss		**14,843**	90,861
Dividends received from an associate		**3,618**	3,331
Purchases of items of property, plant and equipment		**(1,521,769)**	(805,993)
Proceeds from disposal of items of property, plant and equipment		**153,724**	189,822
Proceeds from disposal of right-of-use assets		**555,981**	18,036
Prepayments for right-of-use assets		**(328,401)**	(260,339)
Purchases of intangible assets		**(25,966)**	(24,275)
Disposal of an associate		**–**	570,000
Dividend income from equity investments at fair value through other comprehensive income		**–**	234
Decrease in pledged deposits		**9,272**	711,222
(Increase)/decrease in investments in financial assets at fair value through profit or loss		**(496,022)**	2,374,061
Increase in investments in bank deposits with an initial term of over three months		**(2,619,717)**	(4,925,524)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,469,317)**	(1,380,017)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans	31	**11,331,071**	10,290,161
Repayment of bank loans	31	**(10,747,153)**	(7,428,978)
Principal portion of lease payments	31	**(48,687)**	(63,385)
Acquisition of non-controlling interests		**–**	(6,503)
Dividends paid to owners of the parent		**(3,186,187)**	(2,458,076)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		**(2,650,956)**	333,219
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(847,309)**	4,179,727

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Cash and cash equivalents at beginning of year		**11,596,453**	7,369,498
Effect of foreign exchange rate changes, net		**119,686**	47,228
CASH AND CASH EQUIVALENTS AT END OF YEAR		**10,868,830**	11,596,453
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**3,468,872**	10,539,092
Non-pledged time deposits with original maturity of less than three months when acquired		**7,405,398**	1,072,073
Less: Pledged deposits	23	**(5,440)**	(14,712)
Cash and cash equivalents as stated in the statement of cash flows	23	**10,868,830**	11,596,453

1. CORPORATE AND GROUP 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's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Main Board") since 24 November 2005.

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

In the opinion of the directors, Splendid Steed Investments Limited, a company incorporated in the British Virgin Islands ("BVI"), is the ultimate holding company of the Company. Keep Glory Limited, a company incorporated in the BVI, is the intermediate holding company of the Company.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and nature of legal entity	Issued share capital	Percentage of equity attributable to the company Direct	Percentage of equity attributable to the company Indirect	Principal activities and place of operations
Ningbo Shenzhou Knitting Co., Ltd. ("Shenzhou Knitting")	PRC, wholly-foreign-owned enterprise	US$250,000,000	–	100%	Manufacture and sale of knitwear products in Mainland China
Ningbo Daqian Knitwear Co., Ltd. ("Daqian Knitting")	PRC, wholly-foreign-owned enterprise	US$505,000,000	–	100%	Manufacture and sale of knitwear products in Mainland China
Maxwin (China) Limited ("Maxwin China")	PRC, wholly-foreign-owned enterprise	US$50,000,000	–	100%	Trading in Mainland China
Master Limited ("Master Macao")	Macao, limited liability company	MOP1,000,000	–	100%	Trading in Macao
Superior Enterprises Investments Limited ("Superior Investments")	BVI, limited liability company	US$10,000	100%	–	Investments holding in the BVI

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and nature of legal entity	Issued share capital	Percentage of equity attributable to the company Direct	Indirect	Principal activities and place of operations
Gain Lucky (Vietnam) Co., Ltd. ("Gain Lucky Vietnam")	Vietnam, limited liability company	US$50,000,000	–	100%	Manufacture and sale of knitwear products in Vietnam
Worldon (Vietnam) Co., Ltd. ("Worldon Vietnam")	Vietnam, limited liability company	US$36,000,000	–	100%	Manufacture and processing of knitwear products in Vietnam
Marvel Garment Co., Ltd. ("Marvel Garment")	Kingdom of Cambodia, limited liability company	US$30,000,000	–	100%	Manufacture and sale of knitwear products in Cambodia
Rong Win Garment Co., Ltd. ("Rong Win")	Kingdom of Cambodia, wholly-foreign-owned enterprise	US$8,000,000	–	100%	Manufacture and sale of knitwear products in Cambodia
Sunfair Garment Co., Ltd. ("Sunfair Garment")	Kingdom of Cambodia, limited liability company	US$36,000,000	–	100%	Manufacture and sale of knitwear products in Cambodia

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2. ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

Basis of consolidation *(continued)*

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

2. ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(continued)*

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact of the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

2. ACCOUNTING POLICIES *(continued)*

2.3 Issued but not yet effective Hong Kong financial reporting standards *(continued)*

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of the associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in associates investment in the associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and equity investments designated at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Fair value measurement *(continued)*

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash- generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash- generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of non-financial assets *(continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment used for this purpose are as follows:

Category	Estimated useful life	Residual value
Buildings	20 – 25 years	0% – 10%
Plant and machinery	10 years	0% – 10%
Vehicles	5 – 15 years	0% – 10%
Furniture and fixtures	2 – 5 years	0% – 10%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are as follows:

Category	Estimated useful life
Software	4 – 10 years
Water use right	20 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right- of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	30 – 50 years
Buildings	3 – 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group 's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass- through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward- looking factors specific to the debtors and the economic environment.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, lease liabilities and interest- bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short- term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for the Pillar Two income taxes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset r elating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of knitwear products

Revenue from the sale of knitwear products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery or pick- up of the knitwear products.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. ACCOUNTING POLICIES *(continued)*

2.4 Material accounting policies *(continued)*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the r elated asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company is the Hong Kong dollar ("HK$"). The functional currencies of certain subsidiaries located outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses of RMB712,498,000 (2023: RMB1,382,420,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on deferred taxes are disclosed in note 28 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 20 to the financial statements.

Inventory obsolescence provisions

The management of the Group reviews the ageing analysis at the end of the reporting period, and makes allowance for obsolete inventory items identified that are not suitable for use in current production. Management estimates the net realisable value for such raw materials, work in progress and finished goods based primarily on the latest invoice prices and current market conditions.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and consequently related depreciation charges. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to the industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4. 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

	2024 RMB'000	2023 RMB'000
Mainland China	**8,061,175**	7,124,052
European Union	**5,190,059**	5,027,285
Japan	**4,834,111**	3,675,539
United States of America	**4,611,826**	3,879,987
Other regions	**5,965,767**	5,262,929
Total revenue	**28,662,938**	24,969,792

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

(b) Non-current assets

	2024 RMB'000	2023 RMB'000
Mainland China	**5,950,811**	6,002,770
Vietnam	**4,239,841**	4,391,634
Cambodia	**2,750,106**	2,725,300
Other regions	**301,622**	228,127
Total non-current assets	**13,242,380**	13,347,831

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

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

	2024 **RMB'000**	2023 RMB'000
Customer A	**7,985,314**	6,001,903
Customer B	**7,398,654**	7,696,598
Customer C	**4,998,249**	3,691,682
Customer D	**2,762,240**	2,490,745

5. REVENUE

An analysis of revenue is as follows:

	2024 **RMB'000**	2023 RMB'000
Revenue from contracts with customers		
Sale of goods – at a point in time	**28,662,938**	24,969,792

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:

	2024 **RMB'000**	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of goods	**23,353**	13,461

(ii) ***Performance obligations***

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

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

	2024 RMB'000	2023 RMB'000
Other income		
Government grants	**151,315**	250,305
Interest income	**1,075,710**	778,904
Rental income	**7,746**	25,888
Dividend income from equity investments at fair value through other comprehensive income	**–**	234
Total	**1,234,771**	1,055,331
Other gains/(expenses), net		
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	**–**	991
Financial assets at fair value through profit or loss – mandatorily classified as such	**18,910**	73,579
Gain on disposal of items of right-of-use assets	**372,553**	9,427
(Loss)/gain on disposal of items of property, plant and equipment	**(35,774)**	39,702
Foreign exchange differences, net	**105,549**	150,577
Others	**(2,463)**	(15,576)
Total	**458,775**	258,700

7. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold		**20,572,130**	18,904,165
Depreciation of items of property, plant and equipment	15	**1,401,333**	1,343,267
Depreciation of right-of-use assets	16(a)	**98,013**	110,238
Amortisation of intangible assets	17	**22,654**	20,740
Lease payments not included in the measurement of lease liabilities	16(c)	**5,620**	2,665
Auditor's remuneration		**3,788**	3,700
Employee benefit expense (including directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**6,894,284**	6,006,514
Pension scheme contributions (defined contribution scheme)*	11	**749,239**	691,343
Other benefits		**278,197**	284,274
Total		**7,921,720**	6,982,131
Foreign exchange differences, net		**(105,549)**	(150,577)
Impairment of inventories, net		**35,911**	124,804
Impairment of trade receivables, net		**–**	269
Impairment of other receivables, net		**–**	(1,963)
Fair value gains, net:			
Derivative instruments – transactions not qualifying as hedges	6	**–**	(991)
Financial assets at fair value through profit or loss – mandatorily classified as such	6	**(18,910)**	(73,579)
Interest income	6	**(1,075,710)**	(778,904)
Loss/(gain) on disposal of items of property, plant and equipment	6	**35,774**	(39,702)
Gain on disposal of items of right-of-use assets	6	**(372,553)**	(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. FINANCE COSTS

An analysis of finance costs is as follows:

	Notes	2024 RMB'000	2023 RMB'000
Interest on bank borrowings		**369,809**	338,078
Interest on lease liabilities	16(b)	**5,539**	7,727
Total		**375,348**	345,805

9. DIRECTORS' REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 **RMB'000**	2023 RMB'000
Fees	**384**	384
Other emoluments:		
Salaries, allowances and benefits in kind	**20,480**	20,712
Pension scheme contributions	**133**	109
Subtotal	**20,613**	20,821
Total	**20,997**	21,205

Executive directors (including the chief executive) and independent non-executive directors:

	Fees **RMB'000**	**Salaries, allowances and benefits in kind** **RMB'000**	**Pension scheme contributions** **RMB'000**	**Total remuneration** **RMB'000**
2024				
Executive directors:				
Mr. Jianrong Ma	**–**	**4,948**	**33**	**4,981**
Mr. Guanlin Huang	**–**	**4,474**	**33**	**4,507**
Mr. Renhe Ma	**–**	**4,617**	**17**	**4,634**
Mr. Cunbo Wang	**–**	**3,392**	**33**	**3,425**
Mr. Jijun Hu	**–**	**2,888**	**17**	**2,905**
Subtotal	**–**	**20,319**	**133**	**20,452**
Independent non-executive directors:				
Ms. Feirong Wang	**72**	**38**	**–**	**110**
Mr. Xianpin Jiang	**24**	**9**	**–**	**33**
Mr. Xinggao Liu	**96**	**38**	**–**	**134**
Ms. Chunhong Liu	**96**	**38**	**–**	**134**
Mr. Bingsheng Zhang	**96**	**38**	**–**	**134**
Subtotal	**384**	**161**	**–**	**545**
Total	**384**	**20,480**	**133**	**20,997**

9. DIRECTORS' REMUNERATION *(continued)*

Executive directors (including the chief executive) and independent non-executive directors: *(continued)*

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Executive directors:				
Mr. Jianrong Ma	–	4,962	31	4,993
Mr. Guanlin Huang	–	4,379	31	4,410
Mr. Renhe Ma	–	4,624	16	4,640
Mr. Cunbo Wang	–	3,322	31	3,353
Ms. Zhifen Chen	–	3,273	–	3,273
Subtotal	–	20,560	109	20,669
Independent non-executive directors:				
Mr. Xianpin Jiang	96	38	–	134
Mr. Xinggao Liu	96	38	–	134
Ms. Chunhong Liu	96	38	–	134
Mr. Bingsheng Zhang	96	38	–	134
Subtotal	384	152	–	536
Total	384	20,712	109	21,205

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Ms. Zhifen Chen resigned as an executive director with effect from 31 January 2024 and Mr. Xianpin Jiang resigned as an independent non-executive director with effect from 1 April 2024. Meanwhile, Mr. Jijun Hu was appointed as an executive director and Ms. Feirong Wang was appointed as an independent non-executive director with effect from 1 April 2024.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors including the chief executive (2023: three), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2023: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 **RMB'000**	2023 RMB'000
Salaries, allowances and benefits in kind	**9,317**	8,413
Pension scheme contributions	**30**	26
Total	**9,347**	8,439

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HK$4,500,001 to HK$5,000,000	**1**	2
HK$5,000,001 to HK$5,500,000	**1**	–
Total	**2**	2

11. RETIREMENT BENEFITS

	2024 RMB'000	2023 RMB'000
Charged to the consolidated statement of profit or loss		
– Retirement benefit contributions	**749,239**	691,343

The retirement benefits of full-time employees of the Group in Mainland are covered by various government-sponsored pension plans under which the premiums and welfare benefit contributions that should be borne by the Group are calculated based on percentages of the total salaries of employees, subject to a certain ceiling, and are paid to the relevant government authorities.

The Group also participates in a defined contribution scheme, the MPF Scheme, in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Shenzhou Cambodia, Daqian Cambodia, Rong Win, Marvel Garment, Sunfair Garment, Gain Lucky Vietnam, Worldon Vietnam and Global Hantex, wholly-owned subsidiaries incorporated in the Kingdom of Cambodia and Vietnam, are required to contribute amounts based on employees' salaries (defined contributions) to the retirement benefit schemes as stipulated by the relevant local authorities.

Master Macao, a wholly-owned subsidiary incorporated in Macao, is required to contribute a certain amount to the retirement benefit scheme as stipulated by the relevant local authority.

The Group has no further obligation for post-retirement benefits or housing funds beyond the contributions in respect of the above.

12. INCOME TAX

The major components of income tax expense for the years ended 31 December 2024 and 2023 are:

	2024 **RMB'000**	2023 RMB'000
Current Hong Kong profits tax	**12,242**	3,170
Current overseas withholding tax	**9,534**	43,315
Current Vietnam profits tax	**117,599**	92,840
Current Cambodia profits tax	**424**	142
Current Macao profits tax	**220,958**	187,190
Current Mainland China corporate income tax	**362,666**	163,121
Pillar Two income taxes-current tax*	**184,683**	–
Deferred taxation (note 28)	**15,091**	(51,540)
Total	**923,197**	438,238

* The current tax expense mainly relates to Vietnam.

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% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The first HK$2,000,000 (2023: 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% (2023: 20%). Under the laws and regulations of Cambodia, certain subsidiaries are entitled to an exemption from income tax for three years after the first income-generating year. Furthermore, one subsidiary is entitled to enjoy a lower income tax rate of 5% for the 4^{th} to 5^{th} years, 10% for the 6^{th} to 7^{th} years and 15% for the 8^{th} to 9^{th} years. Another subsidiary is entitled to an exemption from income tax for an additional four years ended on 31 December 2024. The third subsidiary is entitled to an exemption from income tax for an additional five years ending on 31 December 2026.

The subsidiary incorporated in Japan, under the Law of Taxation in Japan, is subject to income tax at a rate of 30% (2023: 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.

12. INCOME TAX *(continued)*

Three subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%. Under the laws and regulations of Vietnam, two subsidiaries are entitled to enjoy a lower profits tax rate of 10%. Furthermore, one is entitled to an exemption from income tax for four years ended 31 December 2019 and a 50% reduction for 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. The third subsidiary is entitled to enjoy a lower profits tax rate of 17% for three years ending on 31 December 2026.

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, 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 2024 and 2023 is as follows:

	2024 **RMB'000**	2023 RMB'000
Profit before tax	**7,163,778**	4,995,501
Tax at the statutory tax rate of 25% (2023: 25%)	**1,790,944**	1,248,875
Lower tax rates for specific jurisdictions or enacted by local authorities	**(818,672)**	(777,431)
Additional deductible allowance for qualified research and development costs	**(63,533)**	(64,824)
Adjustments in respect of current tax of previous periods	**2,721**	(25,498)
Income not subject to tax	**(42,544)**	(17,592)
Expenses not deductible for tax	**14,115**	6,725
Overseas withholding tax	**9,534**	43,315
Tax losses not recognised during the year	**74,797**	68,964
Utilisation of previously unrecognised tax losses	**(44,165)**	(44,296)
Tax charge at the effective rate	**923,197**	438,238

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted as at 31 December 2024 in Vietnam.

The Group has performed an assessment of its exposure to Pillar Two income taxes based on the information available regarding the Group's financial performance in the current year. Based on the assessment, the Group has identified potential exposure from the subsidiaries in respect of profits earned in Vietnam where the Pillar Two effective tax rate is below 15% due to certain income exclusions and incentives received by them. The proportion of the Group's profit before tax for the year ended 31 December 2024 that would have been subject to Pillar Two income taxes was approximately 33%. The average effective tax rate applicable to those profits was 4.97%. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

13. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Interim – HK$1.25 (2023: HK$0.95) per ordinary share	**1,714,989**	1,316,672
Proposed final – HK$1.28 (2023: HK$1.08) per ordinary share	**1,781,739**	1,471,198

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

14. 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 (2023: 1,503,222,397) outstanding during the year.

The Group had no potentially dilutive ordinary shares outstanding during the years ended 31 December 2024 and 31 December 2023.

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

Earnings

	2024 RMB'000	2023 RMB'000
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**6,240,581**	4,557,263

Shares

	Number of shares	
	2024	2023
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

	2024 RMB	2023 RMB
Basic and diluted	**4.15**	3.03

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
Net book value:						
At 31 December 2023	5,427,195	4,652,111	303,209	190,390	357,879	10,930,784
Cost						
At 1 January 2024,	8,202,454	10,157,975	573,889	576,451	357,879	19,868,648
Additions	137,368	609,727	16,707	23,727	711,522	1,499,051
Disposals	(216,533)	(453,020)	(23,805)	(37,259)	–	(730,617)
Transfers	166,255	242,702	310	8,281	(417,548)	–
Exchange realignment	(55,597)	(89,066)	4,986	(131)	39	(139,769)
At 31 December 2024,	8,233,947	10,468,318	572,087	571,069	651,892	20,497,313
Accumulated depreciation:						
At 1 January 2024:	2,775,259	5,505,864	270,680	386,061	–	8,937,864
Depreciation provided during the year	424,492	873,894	47,467	55,480	–	1,401,333
Disposals	(162,523)	(324,694)	(20,992)	(32,910)	–	(541,119)
Exchange realignment	(17,677)	(46,178)	582	(538)	–	(63,811)
At 31 December 2024,	3,019,551	6,008,886	297,737	408,093	–	9,734,267
Net book value:						
At 31 December 2024	5,214,396	4,459,432	274,350	162,976	651,892	10,763,046
Net book value:						
At 31 December 2022	5,700,720	4,999,609	338,681	223,917	330,775	11,593,702
Cost						
At 1 January 2023,	8,179,490	9,948,476	571,034	562,933	330,775	19,592,708
Additions	11,392	226,547	7,030	16,471	570,609	832,049
Disposals	(161,929)	(251,014)	(9,000)	(20,929)	(24,594)	(467,466)
Transfers	175,527	247,688	616	16,617	(518,005)	(77,557)
Exchange realignment	(2,026)	(13,722)	4,209	1,359	(906)	(11,086)
At 31 December 2023,	8,202,454	10,157,975	573,889	576,451	357,879	19,868,648
Accumulated depreciation:						
At 1 January 2023:	2,478,770	4,948,867	232,353	339,016	–	7,999,006
Depreciation provided during the year	406,760	824,715	45,672	66,120	–	1,343,267
Disposals	(69,414)	(220,843)	(8,113)	(18,977)	–	(317,347)
Transfers	(37,191)	(40,122)	–	(244)	–	(77,557)
Exchange realignment	(3,666)	(6,753)	768	146	–	(9,505)
At 31 December 2023,	2,775,259	5,505,864	270,680	386,061	–	8,937,864
Net book value:						
At 31 December 2023	5,427,195	4,652,111	303,209	190,390	357,879	10,930,784

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2024, there were no mortgages over buildings, plant and machinery of the Group (31 December 2023: there were no mortgages over buildings, plant and machinery of the Group).

As at the date of this report, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB2,189,924,949 as at 31 December 2024 (2023: RMB2,235,985,516). The directors of the Company are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors of the Company are also of the opinion that the aforesaid matters will not have any significant impact on the Group's financial position as at 31 December 2024.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings and other leasehold properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 30 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 3 and 20 years. Other leasehold properties generally have lease terms of 12 months or less and/or are individually of low value. There are several lease contracts that include variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000	**Buildings** RMB'000	**Total** RMB'000
At 1 January 2024	**1,815,602**	**145,207**	**1,960,809**
Additions	**260,285**	**3,329**	**263,614**
Disposals	**(183,428)**	**–**	**(183,428)**
Depreciation charge	**(46,607)**	**(51,406)**	**(98,013)**
Exchange realignment	**(5,150)**	**984**	**(4,166)**
At 31 December 2024	**1,840,702**	**98,114**	**1,938,816**
At 1 January 2023	1,630,285	105,095	1,735,380
Additions	239,826	106,177	346,003
Disposals	(9,018)	(2,898)	(11,916)
Depreciation charge	(45,537)	(64,701)	(110,238)
Exchange realignment	46	1,534	1,580
At 31 December 2023	1,815,602	145,207	1,960,809

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) ***Right-of-use assets*** *(continued)*

As at the date of this report, the Group was in the process of applying for the title lease certificates of certain of its leasehold land with an aggregate net carrying amount of approximately RMB84,758,319 as at 31 December 2024. The directors of the Company are of the view that the Group is entitled to lawfully and validly use the above-mentioned leasehold land. The directors of the Company are also of the opinion that the aforesaid matters will not have any significant impact on the Group's financial position as at 31 December 2024.

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024	2023
	RMB'000	RMB'000
Carrying amount at 1 January	**158,102**	116,607
New leases	**3,329**	106,177
Disposals	**–**	(3,307)
Accretion of interest recognised during the year	**5,539**	7,727
Payments	**(54,226)**	(71,112)
Exchange realignment	**1,309**	2,010
Carrying amount at 31 December	**114,053**	158,102
Analysed into:		
Current portion	**47,371**	47,344
Non-current portion	**66,682**	110,758

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**5,539**	7,727
Depreciation charge of right-of-use assets	**98,013**	110,238
Expense relating to leases of low-value assets	**5,620**	2,665
Gain on disposal of items of right-of-use assets	**(372,553)**	(9,427)
Total amount recognised in profit or loss	**(263,381)**	111,203

(d) The total cash outflow for leases are disclosed in note 31(b) to the financial statements.

The Group as a lessor

The Group leases its property, plant and equipment consisting of two industrial properties in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB7,746,000 (2023: RMB25,888,000), details of which are included in note 6 to the financial statements.

At 31 December 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**6,970**	16,027
After one year but within two years	**1,514**	7,269
After two years but within three years	**–**	5,948
After three years but within four years	**–**	6,226
After four years but within five years	**–**	6,424
After five years	**–**	2,677
Total	**8,484**	44,571

17. INTANGIBLE ASSETS

	Software RMB'000	Water use right RMB'000	Total RMB'000
Net carrying amount:			
At 31 December 2023	**100,044**	**28,484**	**128,528**
Cost:			
At 1 January 2024	**163,315**	**129,000**	**292,315**
Additions	**25,966**	**–**	**25,966**
Disposals	**(1,629)**	**–**	**(1,629)**
Exchange realignment	**(7)**	**–**	**(7)**
At 31 December 2024	**187,645**	**129,000**	**316,645**
Accumulated amortisation:			
At 1 January 2024	**63,271**	**100,516**	**163,787**
Amortisation provided during the year	**16,204**	**6,450**	**22,654**
Disposals	**(1,629)**	**–**	**(1,629)**
Exchange realignment	**(7)**	**–**	**(7)**
At 31 December 2024	**77,839**	**106,966**	**184,805**
Net carrying amount:			
At 31 December 2024	**109,806**	**22,034**	**131,840**

17. INTANGIBLE ASSETS *(continued)*

	Software RMB'000	Water use Right RMB'000	Total RMB'000
Net carrying amount:			
At 31 December 2022	90,058	34,935	124,993
Cost:			
At 1 January 2023	139,684	129,000	268,684
Additions	24,275	–	24,275
Disposals	(642)	–	(642)
Exchange realignment	(2)	–	(2)
At 31 December 2023	163,315	129,000	292,315
Accumulated amortisation:			
At 1 January 2023	49,626	94,065	143,691
Amortisation provided during the year	14,289	6,451	20,740
Disposals	(642)	–	(642)
Exchange realignment	(2)	–	(2)
At 31 December 2023	63,271	100,516	163,787
Net carrying amount:			
At 31 December 2023	100,044	28,484	128,528

18. INVESTMENT IN AN ASSOCIATE

	2024 RMB'000	2023 RMB'000
Share of net assets	**15,154**	13,470

Ningbo Avery Dennison Shenzhou Knitting and Printing Co., Ltd. ("Ningbo Avery") is an associate of the Group and is considered to be a related party of the Group. The Group's shareholding in the associate represents the 30% equity shares held through a subsidiary of the Company.

The following table illustrates the financial information of Ningbo Avery that is not individually material:

	2024 RMB'000	2023 RMB'000
At 1 January	**13,470**	13,157
Share of the associate's profit for the year	**5,302**	3,644
Dividends declared by the associate attributable to the Group for the year	**(3,618)**	(3,331)
Aggregate carrying amount of the Group's investment in the associate	**15,154**	13,470

19. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**1,453,959**	1,302,932
Work in progress	**3,456,660**	3,111,255
Finished goods	**2,271,449**	1,971,751
	7,182,068	6,385,938
Provision	**(297,114)**	(261,203)
Total	**6,884,954**	6,124,735

20. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade and bills receivables	**6,151,331**	5,023,635

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:

	2024 RMB'000	2023 RMB'000
Within three months	**5,943,074**	4,888,706
Three to six months	**166,085**	110,121
Over six months	**42,172**	24,808
Total	**6,151,331**	5,023,635

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

	2024 RMB'000	2023 RMB'000
Neither past due nor impaired	**5,920,033**	4,770,643
Less than three months past due	**203,502**	223,446
Over three months past due	**27,796**	29,546
Total	**6,151,331**	5,023,635

20. TRADE AND BILLS RECEIVABLES *(continued)*

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:

	2024		2023	
	Original currency in thousand	**RMB equivalent RMB'000**	Original currency in thousand	RMB equivalent RMB'000
US$	**607,796**	**4,369,084**	485,026	3,435,297
RMB		**1,782,247**		1,588,338
Total		**6,151,331**		5,023,635

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

21. PREPAYMENTS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Current		
Prepayments and deposits		
– Purchase of raw materials	**121,332**	113,132
– CIT advance payment	**3,155**	27,934
– Rental deposits	**9,292**	40,629
– Others	**58,817**	45,441
VAT receivable and recoverable	**170,840**	162,383
Other receivables	**121,127**	51,553
Total	**484,563**	441,072

	2024 RMB'000	2023 RMB'000
Non-current		
Long-term prepayments		
– Land use rights	**273,663**	205,547
– Purchase of items of property, plant and equipment	**135,015**	122,163
Total	**408,678**	327,710

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

The carrying amounts of the financial assets included in prepayments and other receivables approximate to their fair values.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 RMB'000	2023 RMB'000
Financial products issued by financial institutions*	**1,303,978**	803,889

* The above financial products were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows were not solely payments of principal and interest. The applicable size test results in respect of the purchases of these financial products are all below 5% and thus these purchases are not subject to the notifiable transaction requirements under Chapter 14 of the Listing Rules.

23. CASH AND BANK BALANCES AND TIME DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**3,468,872**	10,539,092
Time deposits	**21,442,810**	12,199,178
	24,911,682	22,738,270
Less:		
Deposits pledged for construction payment guarantee	**(5,440)**	(14,712)
Bank deposits – current	**(12,871,494)**	(4,471,651)
Bank deposits – non-current	**(1,165,918)**	(6,655,454)
Cash and cash equivalents	**10,868,830**	11,596,453

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to approximately RMB7,707,043,000 (31 December 2023: RMB10,962,855,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 3 months and 36 months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

Cash and cash equivalents include bank deposits with original maturity of more than three months held by the Group. As at 31 December 2024, 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 RMB598,177,000 (31 December 2023: RMB637,643,000).

24. 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:

	2024 RMB'000	2023 RMB'000
Within six months	1,468,589	1,183,301
Six months to one year	2,246	2,974
One year to two years	11,437	2,177
Over two years	10,749	9,760
Total	1,493,021	1,198,212

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

25. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Contract liabilities	18,900	23,353

Contract liabilities represent short-term advances received for knitwear products.

26. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Accrued expenses	1,191,328	1,095,784
Payables for purchase of property, plant and equipment	246,842	252,199
Payables and guarantee deposits related to construction projects	16,095	21,324
Other taxes payable	138,823	157,763
Others	101,965	75,723
Total	1,695,053	1,602,793

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

27. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured (due for repayment on demand)*	**HIBOR+ 0.25-0.5**	**2025**	**4,001,987**	HIBOR+0.48/ 0.5	2024	3,608,307
Bank loans – unsecured	**HIBOR+0.5/ 0.62-1.30/ HIBOR+0.48/ 2.1-3.8**	**2025**	**8,816,577**	HIBOR+0.5/ 0.75-1.43/ HIBOR+0.48/ 3.0-4.0	2024	6,595,661
Total – current			**12,818,564**			10,203,968
Non-current						
Bank loans – unsecured			**–**	2.4-2.81	2025	1,900,000
Total – non-current			**–**			1,900,000
Total			**12,818,564**			12,103,968

* These bank borrowings were included in current liabilities as the banks had an overriding right to call for cash repayment on demand at any time.

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**12,818,564**	10,203,968
In the second year	**–**	1,900,000
Total	**12,818,564**	12,103,968

As at 31 December 2024, bank borrowing balances of approximately RMB1,685,327,000 (31 December 2023: RMB1,600,113,000) were denominated in United States dollars, of which approximately RMB5,113,187,000 (31 December 2023: RMB5,003,855,000) were denominated in Hong Kong dollars and approximately RMB6,020,050,000 (31 December 2023: RMB5,500,000,000) were denominated in RMB.

28. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

(a) Deferred tax assets

2024

	Impairment of assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Employee benefit obligations RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2024	40,974	23,200	50,000	–	114,174
Deferred tax credited/(charged) to the statement of profit or loss during the year	7,494	(9,404)	–	17,461	15,551
Gross deferred tax assets at 31 December 2024	48,468	13,796	50,000	17,461	129,725

2023

	Impairment of assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Employee benefit obligations RMB'000	Fair value adjustments arising from financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2023	19,545	37,549	35,925	1,620	94,639
Deferred tax credited/(charged) to the statement of profit or loss during the year	21,429	(14,349)	14,075	(1,620)	19,535
Gross deferred tax assets at 31 December 2023	40,974	23,200	50,000	–	114,174

As at 31 December 2024, the Group had accumulated tax losses of approximately RMB712,498,000 (31 December 2023: RMB1,382,420,000) arising in Mainland China and the Kingdom of Cambodia, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these tax losses as it is not considered probable that taxable profits will be available against which these tax losses can be utilised.

28. DEFERRED TAX *(continued)*

The movements in deferred tax assets and liabilities during the year are as follows: *(continued)*

(b) Deferred tax liabilities

2024

	Depreciation allowance in excess of related depreciation RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2024	**348,580**	**–**	**348,580**
Deferred tax charged to the statement of profit or loss during the year	**13,528**	**17,114**	**30,642**
Gross deferred tax liabilities at 31 December 2024	**362,108**	**17,114**	**379,222**

2023

	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments of financial assets at fair value through profit or loss RMB'000	Total RMB'000
At 1 January 2023	370,542	10,043	380,585
Deferred tax credited to the statement of profit or loss during the year	(21,962)	(10,043)	(32,005)
Gross deferred tax liabilities at 31 December 2023	348,580	–	348,580

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB22,233,266,000 at 31 December 2024 (31 December 2023: RMB21,377,439,000).

28. DEFERRED TAX *(continued)*

The net balances of deferred tax assets and liabilities after offsetting are as follows:

	2024		2023	
	Offsetting amount RMB'000	**Amount after offset RMB'000**	Offsetting amount RMB'000	Amount after offset RMB'000
Deferred tax assets	**(17,114)**	**112,611**	–	114,174
Deferred tax liabilities	**17,114**	**362,108**	–	348,580

29. SHARE CAPITAL

	2024		2023	
	HKD'000	**RMB'000**	HKD'000	RMB'000
Issued and fully paid:				
1,503,222,397 (2023: 1,503,222,397) ordinary shares of HK$0.10 each	**150,322**	**151,200**	150,322	151,200

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 48 of the financial statements.

(i) Statutory surplus reserve ("SSR")

In accordance with the Company Law of the PRC and the articles of association of the Mainland China subsidiaries, each of the Mainland China subsidiary is required to allocate 10% of its profit after tax, as determined in accordance with the PRC generally accepted accounting principles, to the SSR until the reserve reaches 50% of its registered capital. Part of the SSR may be converted to increase paid-up capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of the foreign subsidiaries.

(iii) Other reserve

Other reserve represents the excess of the consideration received for partial disposal of a subsidiary without loss of control, over the carrying amount of the non-controlling interests as at the transaction date.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,329,000 (2023: RMB106,177,000) and RMB3,329,000 (2023: RMB106,177,000) respectively, in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2024

	Lease liabilities RMB'000	**Bank loans RMB'000**
At 1 January 2024	**158,102**	**12,103,968**
Changes from financing cash flows	**(48,687)**	**583,918**
New leases		**–**
Foreign exchange movement		**130,678**
Interest expense		**369,809**
Interest paid classified as operating cash flows	**(5,539)**	**(369,809)**
At 31 December 2024	**114,053**	**12,818,564**

2023

	Lease liabilities RMB'000	Bank loans RMB'000
At 1 January 2023	116,607	9,197,684
Changes from financing cash flows	(63,385)	2,861,183
New leases	106,177	–
Leases termination	(3,307)	–
Foreign exchange movement	2,010	45,101
Interest expense	7,727	338,078
Interest paid classified as operating cash flows	(7,727)	(338,078)
At 31 December 2023	158,102	12,103,968

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 **RMB'000**	2023 RMB'000
Within operating activities	**(11,159)**	(2,665)
Within investing activities	**(328,401)**	(260,339)
Within financing activities	**(48,687)**	(63,385)
Total	**(388,247)**	(326,389)

32. CONTINGENT LIABILITIES

As at 31 December 2024, the Group had no significant contingent liabilities.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for construction payment guarantee are included in note 23 to the financial statements.

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2024 **RMB'000**	2023 RMB'000
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**666,268**	810,000
Acquisition of land use rights	**103,816**	146,201
Total	**770,084**	956,201

35. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel of the Group

	2024 RMB'000	2023 RMB'000
Remuneration of directors and senior management	**55,213**	55,433

Further details of the directors' and chief executive's emoluments are included in note 9 to the financial statements.

(b) Continuing transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2024 RMB'000	2023 RMB'000
Lease of apparel production properties from Ningbo Shenzhou Properties Co., Ltd. ("Shenzhou Properties")*		
Additions of right-of-use assets	**–**	106,177
Depreciation of right-of-use assets	**35,392**	35,392
Interest expense on lease liabilities	**2,099**	3,472
Printing service provided by Ningbo Avery**	**142,470**	139,849
Sales and marketing services provided to Ningbo Avery**	**7,800**	6,230
Purchase of raw material yarns from Anhui Huamao Group Co., Ltd. ("Huamao Group")***	**–**	32,542

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) Continuing transactions with related parties *(continued)*

* Shenzhou Properties is controlled by one of the Company's executive directors. Transactions with Shenzhou Properties are continuing connected transactions.

On 29 December 2022, Shenzhou Knitting, a wholly- owned subsidiary of the Company, entered into a lease agreement with Shenzhou Properties, pursuant to which Shenzhou Properties agreed to lease the properties to Shenzhou Knitting. The Lease Agreement is for a term of three years commencing on 1 January 2023 and expiring on 31 December 2025. The monthly rent under the Lease Agreement is RMB3,233,169.

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

*** During the period from 1 January 2022 to 31 March 2023, Huamao Group was an associate of the Group and was considered to be a related party of the Group, and the transactions with Huamao Group constituted related party transactions but did not constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. Since 1 April 2023, Huamao Group has no longer been the associate of the Group, nor been considered as a related party of the Group.

The transactions with the related parties were mutually agreed by counterparties.

(c) Outstanding balances with related parties

The Group had the following balances with its related parties:

	2024 RMB'000	2023 RMB'000
Amounts due from related parties – trade-related:		
Shenzhou Properties	**167**	167
Ningbo Avery	**1,028**	3,174
Total	**1,195**	3,341

	2024 RMB'000	2023 RMB'000
Amount due to related parties – trade-related:		
Ningbo Avery	**–**	3,558
Total	**–**	3,558

The balances with the related parties are unsecured, interest-free and has no fixed terms of repayment.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

2024

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	6,151,331	6,151,331
Financial assets included in prepayments and other receivables	–	121,127	121,127
Amounts due from related parties	–	1,195	1,195
Financial assets at fair value through profit or loss	1,303,978	–	1,303,978
Pledged deposits	–	5,440	5,440
Bank deposits – current	–	12,871,494	12,871,494
Bank deposits – non-current	–	1,165,918	1,165,918
Cash and cash equivalents	–	10,868,830	10,868,830
Total	1,303,978	31,185,335	32,489,313

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets *(continued)*

2023

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade and bills receivables	–	–	5,023,635	5,023,635
Financial assets included in prepayments and other receivables	–	–	51,553	51,553
Amounts due from related parties	–	–	3,341	3,341
Financial assets at fair value through profit or loss	803,889	–	–	803,889
Equity investments designated at fair value through other comprehensive income	–	720	–	720
Pledged deposits	–	–	14,712	14,712
Bank deposits – current	–	–	4,471,651	4,471,651
Bank deposits – non-current	–	–	6,655,454	6,655,454
Cash and cash equivalents	–	–	11,596,453	11,596,453
Total	803,889	720	27,816,799	28,621,408

Financial liabilities

	2024 RMB'000	2023 RMB'000
Financial liabilities at amortised cost		
Trade payables	**1,493,021**	1,198,212
Financial liabilities included in other payables and accruals	**364,902**	349,246
Amount due to a related party	**–**	3,558
Interest-bearing bank borrowings	**12,818,564**	12,103,968
Lease liabilities	**114,053**	158,102
Total	**14,790,540**	13,813,086

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of bank deposits with an initial term of over three months and pledged deposits, financial assets at fair value through profit or loss, trade and bills receivables, trade payables, financial assets included in prepayments and other receivables, financial liabilities included in other payables and accruals and amounts due from related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of long-term time deposits at banks and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with A+ and A credit ratings. Derivative financial instruments, including forward currency contracts and foreign currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates. The carrying amounts of forward currency contracts and foreign currency swaps are the same as their fair values.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	1,303,978	–	1,303,978
Total	–	1,303,978	–	1,303,978

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: *(continued)*

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	–	720	720
Financial assets at fair value through profit or loss	–	803,889	–	803,889
Total	–	803,889	720	804,609

The Group did not have any financial liabilities measured at fair value as at 31 December 2024.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets and financial liabilities (2023: Nil).

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans and cash and bank deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates.

At 31 December 2024, approximately 60% (2023: 59%) of the Group's interest-bearing borrowings bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
2024		
If interest rate increases	**50**	**(25,566)**
If interest rate decreases	**(50)**	**25,566**
2023		
If interest rate increases	50	(25,019)
If interest rate decreases	(50)	25,019

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales by operating units in currencies other than the units' functional currencies. Approximately 72% (2023: 71%) of the Group's sales were denominated in foreign currencies other than the functional currencies of the operating units making the sales.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in foreign currency rate	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	RMB'000	RMB'000
2024			
If RMB strengthens against US$	**5**	**(644,015)**	**(285,393)**
If RMB weakens against US$	**(5)**	**644,015**	**285,393**
2023			
If RMB strengthens against US$	5	(372,038)	(283,496)
If RMB weakens against US$	(5)	372,038	283,496

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, bank deposits with an initial term of over three months, financial assets at fair value through profit or loss, other financial assets, financial assets included in prepayments and other receivables, amounts due from related parties, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. At the end of the reporting period, the Group had certain concentrations of credit risk as 36% (2023: 37%) and 91% (2023: 91%) of the Group's trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively. As the major customers of the Group are all world-famous brand companies, which have established long-term business relationships with the Group, concentrations of credit risk are well managed by the Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 20 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

2024

	On demand RMB'000	Less than 6 months RMB'000	Less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade payables	**24,432**	**1,468,589**	**–**	**–**	**–**	**1,493,021**
Other payables	**364,902**	**–**	**–**	**–**	**–**	**364,902**
Lease liabilities	**–**	**25,686**	**24,348**	**11,700**	**62,371**	**124,105**
Interest-bearing bank borrowings	**4,009,527**	**6,468,770**	**2,419,439**	**–**	**–**	**12,897,736**
Total	**4,398,861**	**7,963,045**	**2,443,787**	**11,700**	**62,371**	**14,879,764**

2023

	On demand RMB'000	Less than 6 months RMB'000	Less than 12 months RMB'000	1 to 2 years RMB'000	Over 2 years RMB'000	Total RMB'000
Trade payables	14,911	1,183,301	–	–	–	1,198,212
Other payables	349,246	–	–	–	–	349,246
Amounts due to related parties	3,558	–	–	–	–	3,558
Lease liabilities	–	26,839	26,030	49,707	72,982	175,558
Interest-bearing bank borrowings	–	6,227,224	4,192,254	1,943,988	–	12,363,466
Total	367,715	7,437,364	4,218,284	1,993,695	72,982	14,090,040

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank borrowings, lease liabilities, trade payables, other payables and accruals and amounts due to related parties less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2024	2023
	RMB'000	RMB'000
Interest-bearing bank borrowings	**12,818,564**	12,103,968
Lease liabilities	**114,053**	158,102
Trade payables	**1,493,021**	1,198,212
Other payables and accruals	**364,902**	349,246
Amounts due to related parties	**–**	3,558
Less: Cash and cash equivalents	**(10,868,830)**	(11,596,453)
Net debt	**3,921,710**	2,216,633
Capital	**35,852,895**	32,867,316
Capital and net debt	**39,774,605**	35,083,949
Gearing ratio	**9.9%**	6.3%

39. EVENTS AFTER THE REPORTING PERIOD

There were no material subsequent events undertaken by the Company or by the Group after 31 December 2024.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**6,628**	–
Right-of-use assets	**2,083**	–
Investments in subsidiaries	**883,681**	883,681
Loans to subsidiaries	**2,947,244**	3,088,057
Total non-current assets	**3,839,636**	3,971,738
CURRENT ASSETS		
Trade receivables	**58,075**	10,113
Prepayments and other receivables	**20,062**	56,333
Loans to subsidiaries	**1,826,808**	1,117,204
Amounts due from subsidiaries	**8,522,984**	6,677,604
Cash and cash equivalents	**3,314,495**	3,283,452
Total current assets	**13,742,424**	11,144,706
CURRENT LIABILITIES		
Other payables and accruals	**1,585**	1,471
Interest-bearing bank borrowings	**4,927,987**	4,822,614
Amounts due to subsidiaries	**3,964,312**	1,709,515
Lease liabilities	**1,993**	–
Total current liabilities	**8,895,877**	6,533,600

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	2024 RMB'000	2023 RMB'000
NET CURRENT ASSETS	**4,846,547**	4,611,106
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,686,183**	8,582,844
NON-CURRENT LIABILITIES		
Loans from subsidiaries	**–**	277,171
Lease liabilities	**313**	–
Total non-current liabilities	**313**	277,171
NET ASSETS	**8,685,870**	8,305,673
EQUITY		
Share capital	**151,200**	151,200
Reserves	**8,534,670**	8,154,473
Total equity	**8,685,870**	8,305,673

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital surplus RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2023	297,183	727,430	10,153	6,475,587	7,510,353
Total comprehensive income for the year	–	–	125,298	2,976,898	3,102,196
Final 2022 dividend declared	–	–	–	(1,141,404)	(1,141,404)
Interim 2023 dividend	–	–	–	(1,316,672)	(1,316,672)
Others	–	–	(56,678)	56,678	–
At 31 December 2023	297,183	727,430	78,773	7,051,087	8,154,473
Total comprehensive income for the year	–	–	141,817	3,424,567	3,566,384
Final 2023 dividend declared	–	–	–	(1,471,198)	(1,471,198)
Interim 2024 dividend	–	–	–	(1,714,989)	(1,714,989)
At 31 December 2024	297,183	727,430	220,590	7,289,467	8,534,670

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2025.

Financial Information Summary

(Amounts expressed in RMB'000 unless otherwise stated)

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, prepared on the basis as set out herein, is set out below:

	For the year ended 31 December/As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Revenue	**28,662,938**	24,969,792	27,781,412	23,845,006	23,030,648
Finance costs	**(375,348)**	(345,805)	(228,359)	(144,036)	(108,250)
Profit before tax	**7,163,778**	4,995,501	5,262,073	3,823,316	5,512,426
Income tax expense	**(923,197)**	(438,238)	(698,908)	(451,637)	(429,781)
Profit for the year	**6,240,581**	4,557,263	4,563,165	3,371,679	5,082,645
Attributable to:					
Owners of the parent	**6,240,581**	4,557,263	4,562,783	3,371,702	5,106,736
Non-controlling interests	**–**	–	382	(23)	(24,091)
	6,240,581	4,557,263	4,563,165	3,371,679	5,082,645
Assets, Liabilities and Non-controlling Interests					
Total assets	**53,107,848**	48,611,137	43,492,865	42,131,906	36,851,761
Total liabilities	**17,254,953**	15,743,821	12,727,081	14,348,843	9,580,931
Non-controlling interests	**–**	–	(12,866)	(12,484)	5,230
	35,852,895	32,867,316	30,752,918	27,770,579	27,276,060

Note: The consolidated results of the Group for each of the two years ended 31 December 2023 and 2024 and the consolidated assets, liabilities and non-controlling interests of the Group as at 31 December 2023 and 2024 are those set out on pages 44 to 119 of the financial statements.

SHENZHOU INTERNATIONAL
GROUP HOLDINGS LIMITED