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

(incorporated in the Cayman Islands with limited liability)

(stock code: 2313)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- Sales for the six months ended 30 June 2024 amounted to approximately RMB12,975,971,000, representing an increase of approximately 12.2% as compared with the corresponding period of 2023.
- Percentage of sportswear products sales to total sales was approximately 71.0% for the six months ended 30 June 2024. Revenue from sale of sportswear products increased by approximately 7.6% as compared with the corresponding period of the previous year.
- Percentage of casual wear products sales to total sales was approximately 21.3% for the six months ended 30 June 2024. Revenue from sale of casual wear products significantly increased by approximately 20.0% as compared with the corresponding period of the previous year.
- Percentage of lingerie products sales to total sales was approximately 7.0% for the six months ended 30 June 2024. Revenue from sale of lingerie products significantly increased by approximately 47.4% as compared with the corresponding period of the previous year.
- Gross profit for the six months ended 30 June 2024 amounted to approximately RMB3,761,469,000, representing a significant increase of approximately 45.0% as compared with the corresponding period of 2023. Gross profit margin was approximately 29.0%, representing a significant increase of 6.6 percentage points from approximately 22.4% of the corresponding period last year.
- Net profit attributable to owners of the parent for the six months ended 30 June 2024 amounted to approximately RMB2,931,028,000, representing a significant increase of RMB804,199,000 or approximately 37.8% as compared with the corresponding period of 2023. The main reasons for the significant increase in net profit included a significant increase in overall capacity utilisation rate as compared with the corresponding period of the previous year and the scale expansion and continuous improvement in production efficiency of new overseas factories.
- Basic earnings per share were RMB1.95, representing a significant increase of approximately 38.3% from RMB1.41 for the corresponding period of the previous year.
- The Board has resolved to declare an interim dividend of HK$1.25 per share, representing a significant increase of approximately 31.6% from HK$0.95 per share for the corresponding period of the previous year.

* *for identification purposes only*

The board (the "Board") of directors (the "Directors") of Shenzhou International Group Holdings Limited ("Shenzhou International" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024 (the "Reporting Period"), together with the comparative amounts for the corresponding period of 2023. The interim results and interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Unaudited For the six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**12,975,971**	11,561,962
Cost of sales	*5*	**(9,214,502)**	(8,967,058)
Gross profit		**3,761,469**	2,594,904
Other income	*6*	**635,463**	507,389
Selling and distribution expenses	*5*	**(84,837)**	(81,135)
Administrative expenses	*5*	**(943,697)**	(913,688)
Finance costs	*7*	**(191,389)**	(146,258)
Other gains/(expenses), net	*6*	**69,640**	376,659
Share of profits and losses of associates		**2,560**	10,553
PROFIT BEFORE TAX		**3,249,209**	2,348,424
Income tax expenses	*8*	**(318,181)**	(221,595)
PROFIT FOR THE PERIOD		**2,931,028**	2,126,829
Attributable to:			
Owners of the parent		**2,931,028**	2,126,829
		2,931,028	2,126,829
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted for profit for the period	*9*	**RMB1.95**	RMB1.41

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Unaudited For the six months ended 30 June **2024** ***RMB'000***	 2023 *RMB'000*
PROFIT FOR THE PERIOD	**2,931,028**	2,126,829
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(202,262)**	410,042
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(202,262)**	410,042
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(202,262)**	410,042
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,728,766**	2,536,871
Attributable to:		
Owners of the parent	**2,728,766**	2,536,871

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**Unaudited 30 June 2024 RMB'000**	Audited 31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**10,691,014**	10,930,784
Right-of-use assets	*11*	**1,905,272**	1,960,809
Intangible assets	*11*	**128,293**	128,528
Long-term time deposits at banks		**3,788,817**	6,655,454
Long-term prepayments	*14*	**290,999**	327,710
Investments in an associate		**16,030**	13,470
Equity investments designated at fair value through other comprehensive income		**720**	720
Deferred tax assets		**112,162**	114,174
Total non-current assets		**16,933,307**	20,131,649
CURRENT ASSETS			
Inventories	*12*	**6,694,390**	6,124,735
Trade and bills receivables	*13*	**5,180,768**	5,023,635
Prepayments and other receivables	*14*	**471,377**	441,072
Amounts due from related parties	*19b*	**2,895**	3,341
Financial assets at fair value through profit or loss		**406,172**	803,889
Pledged deposits		**8,840**	14,712
Bank deposits with an initial term of over three months		**9,236,322**	4,471,651
Cash and cash equivalents		**10,081,734**	11,596,453
Total current assets		**32,082,498**	28,479,488
CURRENT LIABILITIES			
Trade payables	*15*	**1,320,252**	1,198,212
Contract liabilities		**3,505**	23,353
Other payables and accruals	*16*	**1,792,209**	1,602,793
Amounts due to related parties	*19b*	**–**	3,558
Interest-bearing bank borrowings		**9,027,793**	10,203,968
Lease liabilities		**48,101**	47,344
Tax payable		**453,081**	305,255
Total current liabilities		**12,644,941**	13,384,483
NET CURRENT ASSETS		**19,437,557**	15,095,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,370,864**	35,226,654

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2024

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,800,000**	1,900,000
Lease liabilities	**89,406**	110,758
Deferred tax liabilities	**356,574**	348,580
Total non-current liabilities	**2,245,980**	2,359,338
NET ASSETS	**34,124,884**	32,867,316
EQUITY		
Equity attributable to owners of the parent		
Share capital	**151,200**	151,200
Reserves	**33,973,684**	32,716,116
Total equity	**34,124,884**	32,867,316

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

Shenzhou International Group Holdings Limited("the Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 23 June 2005. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited 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.

These unaudited interim condensed consolidated financial statements are presented in Renminbi("RMB") and all values are rounded to the nearest thousand, except when otherwise stated. These unaudited interim condensed consolidated financial statements have been approved for issue by the Board on 28 August 2024.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting". These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

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*

None of these amendments had a material impact on the financial position or performance of the Group. The Group has not applied any new interpretation that is not yet effective for the current accounting period.

4. 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

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Chinese Mainland	**3,724,258**	3,103,257
European Union	**2,526,925**	2,421,402
Japan	**2,115,984**	1,666,147
United States of America	**1,881,045**	1,831,356
Other regions	**2,727,759**	2,539,800
Total sales	**12,975,971**	11,561,962

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

(b) Non-current assets

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
Chinese Mainland	**5,933,467**	6,002,770
Vietnam	**4,114,278**	4,391,634
Cambodia	**2,659,689**	2,725,300
Other regions	**308,144**	228,127
Total non-current assets	**13,015,578**	13,347,831

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

Information about major customers

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

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Customer A	**3,400,553**	2,540,639
Customer B	**3,242,206**	3,466,712
Customer C	**2,333,796**	1,885,861
Customer D	**1,336,282**	1,336,027

5. EXPENSES BY NATURE

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

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Employee benefit expenses		
Wages and salaries	**3,219,762**	2,906,471
Retirement benefit contributions	**341,766**	339,110
Other benefits	**139,446**	120,134
	3,700,974	3,365,715
Depreciation, amortisation and impairment expenses	**726,171**	751,018
Changes in inventories of finished goods and work in progress	**(561,905)**	(63,376)
Raw materials and consumables utilised	**5,372,764**	4,942,394
Utilities expenses	**565,741**	564,397
Transportation expenses	**119,471**	123,360
Outsourcing	**38,299**	22,199
Taxation	**37,325**	52,556
Repair expenses	**36,018**	39,216
Traveling expenses	**21,386**	15,769
Inspection fees	**16,544**	11,663
Charges for disposing pollutants	**11,778**	11,969
Entertainment expenses	**9,869**	9,696
Operating lease expenses for properties	**8,669**	9,877
Donation	**974**	801
Other expenses	**138,958**	104,627
Total cost of sales, selling and distribution costs and administrative expenses	**10,243,036**	9,961,881

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

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Other income		
Government incentives	**95,436**	169,284
Interest income	**536,524**	325,831
Rental income	**3,503**	12,058
Dividend income from equity investments at fair value through other comprehensive income	**–**	216
Total	**635,463**	507,389
Other gains/(expenses),net		
Fair value gains, net:		
Derivative instruments		
– transactions not qualifying as hedges	**–**	999
Financial assets at fair value through profit or loss		
– mandatorily classified as such	**9,094**	90,568
(Loss)/gain on disposal of items of property, plant and equipment	**(13,410)**	39,351
Gain on disposal of items of right-of-use assets	**–**	9,427
Foreign exchange gains, net	**75,165**	243,663
Others	**(1,209)**	(7,349)
Total	**69,640**	376,659

7. FINANCE COSTS

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank borrowings	**188,387**	142,023
Interest on lease liabilities	**3,002**	4,235
Total	**191,389**	146,258

8. INCOME TAX

The major components of income tax expenses for the six months ended 30 June 2024 and 2023 are:

	Unaudited	
	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current Hong Kong profits tax	**5,496**	1,865
Current overseas withholding tax	**5,563**	1,691
Current Vietnam profits tax	**53,415**	44,374
Current Cambodia profits tax	**234**	19
Current Macao profits tax	**102,757**	92,658
Current Chinese Mainland corporate income tax ("CIT")	**140,710**	99,351
Deferred taxation	**10,006**	(18,363)
Total	**318,181**	221,595

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 Special Administrative Region (hereinafter referred to as "Hong Kong") profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The first HKD2,000,000 (for the six months ended 30 June 2023: HKD2,000,000) of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

The subsidiaries incorporated in the British Virgin Islands ("BVI") are not subject to income tax as these subsidiaries do not have a place of business (but only a registered office) or carry on any business in the BVI.

The subsidiaries incorporated in the Kingdom of Cambodia, are subject to income tax at a rate of 20% (for the six months ended 30 June 2023: 20%). Under the laws and regulations of Cambodia, certain subsidiaries are entitled to an exemption from income tax for the first four profit-making years but for business not entitled to tax exemption are subject to tax at a rate of 1% on the corresponding revenue pursuant to the Law of Taxation in Cambodia.

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

Two subsidiaries incorporated in Vietnam, are subject to income tax at a rate of 20%. Under the laws and regulations of Vietnam, the subsidiaries are entitled to enjoy a lower profits tax rate of 10% in the first fifteen years after their establishment. Furthermore, one is entitled to an exemption from income tax for four years ended 31 December 2019 and a 50% reduction for the nine years from 1 January 2020. The other subsidiary is entitled to an exemption from income tax for four years ended 31 December 2020 and a 50% reduction for the nine years from 1 January 2021.

Pursuant to relevant tax legislations of Macao Special Administrative Region (hereinafter referred to as "Macao"), the subsidiary incorporated in Macao is subject to income tax at a rate of 12% of the accessible profits arising in Macao.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), the PRC subsidiaries as determined for the period in accordance with the New CIT Law are subject to a tax rate of 25% on their assessable income. A subsidiary is qualified as a High-New Technology Enterprise ("HNTE"), and is entitled to a concessionary rate of income tax at 15% for three years commencing 1 January 2022. Two subsidiaries are qualified as a micro and small companies and entitled to a concessionary rate of income tax of 5%.

The Organisation for Economic Cooperation and Development ("OECD") has published Global Anti-Base Erosion ("GloBE") Model Rules, which include a minimum 15% tax rate rule by jurisdiction ("Pillar Two"). The Group falls within the scope of application of the Pillar Two GloBE model rules and has applied the temporary exception issued by the HKICPA in July 2023 from the accounting requirements for deferred taxes in the amendments to HKAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

As at 30 June 2024, Hong Kong Special Administrative Region, where the Group's parent company is located, has not yet introduced regulations relating to the Pillar Two rules, and Vietnam, where two of the subsidiaries are located, has passed local legislation on Pillar Two, which came into effect on 1 January 2024. After the Pillar Two rules become effective in the jurisdictions in which the Group operates, the Group is required to calculate the effective tax rate for each jurisdiction and provide a top-up tax on any shortfall of 15% as required by the Pillar Two rules. Due to the complexity of the calculation of the Pillar Two rules and the difference between the effective tax rate calculated in accordance with the Pillar Two rules and the actual tax rate calculated in accordance with HKAS 12 – Income Taxes, the Group is further evaluating the tax risk that the Group may be exposed to after the Pillar Two rules come into effect, and will continue to follow up on the progress of the Pillar Two rules in other tax jurisdictions under the Group, and to assess the tax impact thereof.

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

(a) Basic

The calculation of earnings per share attributable to ordinary equity holders of the parent for the period is based on the consolidated profit attributable to owners of the parent of approximately RMB2,931,028,000 (for the six months ended 30 June 2023: RMB2,126,829,000) and on the weighted average number of 1,503,222,397 (for the six months ended 30 June 2023: 1,503,222,397) ordinary shares in issue.

(b) Diluted

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and the six months ended 30 June 2023.

10. DIVIDEND

Pursuant to resolution passed by the Board on 28 August 2024, the Board declared an interim dividend of HKD1.25 per share (for the six months ended 30 June 2023: HKD0.95 per share), totaling approximately HKD1,879,028,000 (equivalent to approximately RMB1,714,989,000). This declared dividend is not reflected as a dividend payable in this interim condensed consolidated financial information, but will be reflected as an appropriation of reserve for the year ending 31 December 2024.

11. CAPITAL EXPENDITURES

	Property, plant and equipment *RMB'000*	**Right-of-use assets** *RMB'000*	**Water use right** *RMB'000*	**Software** *RMB'000*
Unaudited				
For the six months ended 30 June 2023				
Opening net book amount at 1 January 2023	11,593,702	1,735,380	34,935	90,058
Additions	413,029	106,177	–	13,223
Disposals	(82,205)	(10,112)	–	–
Depreciation/amortisation	(685,139)	(55,745)	(3,225)	(6,909)
Exchange differences	276,582	34,114	–	2
Closing net book amount at 30 June 2023	11,515,969	1,809,814	31,710	96,374
Unaudited				
For the six months ended 30 June 2024				
Opening net book amount at 1 January 2024	**10,930,784**	**1,960,809**	**28,484**	**100,044**
Additions	**623,110**	**6,258**	**–**	**10,791**
Disposals	**(63,991)**	**–**	**–**	**–**
Depreciation/amortisation	**(666,248)**	**(48,897)**	**(3,225)**	**(7,801)**
Exchange differences	**(132,641)**	**(12,898)**	**–**	**–**
Closing net book amount at 30 June 2024	**10,691,014**	**1,905,272**	**25,259**	**103,034**

12. INVENTORIES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Raw materials	**1,325,671**	1,302,932
Work in progress	**3,389,289**	3,111,255
Finished goods	**2,255,622**	1,971,751
	6,970,582	6,385,938
Provision	**(276,192)**	(261,203)
Total	**6,694,390**	6,124,735

13. TRADE AND BILLS RECEIVABLES

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

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Within three months	**5,089,391**	4,888,706
Three to six months	**66,686**	110,121
Over six months	**24,691**	24,808
Total	**5,180,768**	5,023,635

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

At 30 June 2024, the trade and bills receivables were denominated in the following currencies:

	Unaudited 30 June 2024		Audited 31 December 2023	
	Original currency in thousand	**RMB equivalent *RMB'000***	Original currency in thousand	RMB equivalent *RMB'000*
US$	**543,002**	**3,869,869**	485,026	3,435,297
RMB		**1,310,899**		1,588,338
Total		**5,180,768**		5,023,635

14. PREPAYMENTS AND OTHER RECEIVABLES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Current		
Prepayments and deposits		
– Purchase of raw materials	**131,128**	113,132
– CIT advance payment	**755**	27,934
– Rental deposits	**40,521**	40,629
– Others	**32,797**	45,441
VAT receivable and recoverable	**185,742**	162,383
Other receivables	**80,434**	51,553
Total	**471,377**	441,072

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Non-Current		
Long-term prepayments		
– Land use rights	**206,827**	205,547
– Purchase of items of property, plant and equipment	**84,172**	122,163
Total	**290,999**	327,710

None of 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.

15. TRADE PAYABLES

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

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Within six months	**1,304,683**	1,183,301
Six months to one year	**1,940**	2,974
One year to two years	**3,125**	2,177
Over two years	**10,504**	9,760
Total	**1,320,252**	1,198,212

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

16. OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Accrued expenses	**777,964**	1,095,784
Payables for purchase of property, plant and equipment	**246,722**	252,199
Payables and guarantee deposits related to construction projects	**16,692**	21,324
Advance from a property transfer	**524,273**	–
Other taxes payable	**135,132**	157,763
Others	**91,426**	75,723
Total	**1,792,209**	1,602,793

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

17. COMMITMENTS

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

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Contracted, but not provided for:		
Acquisition of property, plant and equipment	**761,103**	810,000
Acquisition of land use rights	**132,060**	146,201
Total	**893,163**	956,201

18. CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities (at 31 December 2023: Nil).

19. RELATED PARTY TRANSACTIONS

(a) Continuing transactions with related parties

The Group had the following continuing significant transactions with its related parties, including associates, directors and their associates and companies controlled by the controlling shareholder, for the six months ended 30 June 2024 and 2023:

	Unaudited For the six months ended 30 June	
	2024	2023
	RMB'000	*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	**17,696**	17,696
Interest expense on lease liabilities	**1,225**	1,904
Printing service provided by Ningbo Avery**	**74,558**	68,924
Sales and marketing services and general support services provided to Ningbo Avery**	**5,484**	4,832

* 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 the 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.

The transactions with the related parties were made according to the published prices and conditions offered by the related companies to their major customers.

(b) Outstanding balances with related parties

The Group had the following balances with its related parties:

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
Amounts due from related parties – trade-related		
Shenzhou Properties	**167**	167
Ningbo Avery	**2,728**	3,174
Total	**2,895**	3,341

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
Amounts due to related parties – trade-related		
Ningbo Avery	**–**	3,558

(c) Key management compensation

	Unaudited	
	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**26,495**	24,762
Post-employment benefits	**94**	79
Total	**26,589**	24,841

MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 and the notes thereto (the "Financial Statements") contained in this announcement.

BUSINESS REVIEW

According to the statistics of the China Customs, the total export value of textile and clothing of China (including textile yarns, fabrics and finished products, as well as garments and apparel accessories, referred to the same as below) from January to June 2024 was approximately US$143.18 billion, representing an increase of approximately 1.5% as compared with the corresponding period last year. Out of the total export value, the export value of textile products was approximately US$69.35 billion, representing an increase of approximately 3.3% as compared with the corresponding period last year; the export value of apparel products was approximately US$73.83 billion, which was basically the same as that of the same period last year. From January to June 2024, the export value of apparel products from Mainland China to the United States (the "US"), 27 countries of the European Union (the "EU"), Japan and the United Kingdom (the "UK") amounted to US$15.93 billion, US$12.40 billion, US$5.41 billion and US$2.15 billion respectively, among which exports to US and UK markets have seen an increase of 3.6% and 5.8% respectively, while exports to 27 countries of the EU and Japanese market have seen a decrease of 2.2% and 7.0% respectively, as compared with the corresponding period last year. In respect of the domestic apparel consumption market, according to information released by the National Bureau of Statistics, out of the retail sales of products by enterprises above the designated quota from January to June 2024, the total retail sales of apparel amounted to approximately RMB515.63 billion, representing a slight year-on-year increase of approximately 0.8%; the national online retail sales of products in the wearing segments increased by approximately 7.0% year-on-year. Weak global consumer demand is the major challenge faced by China's textile and clothing industry.

According to the preliminary statistics of the Vietnam Customs, from January to June 2024, Vietnam's textile and apparel exports was approximately US$16.52 billion, representing an increase of approximately 4.6% as compared with the corresponding period last year, and exports to the US, Japan and Korea amounted to approximately US$7.21 billion, US$1.87 billion and US$1.36 billion, respectively, representing a year on-year increase of 3.6%, 6.8% and 1.1%, respectively. The US market accounted for approximately 43.6% of Vietnam's total export value of apparel products (corresponding period in 2023: approximately 44.1%), and the US is still the largest export market for Vietnam's apparel products. In addition, Vietnam exported approximately US$1.89 billion and US$350 million of textile and clothing to 27 EU countries and the UK, respectively, representing an increase of approximately 1.4% and 9.7%, respectively, as compared with the corresponding period last year. Vietnam exported approximately US$3.00 billion of textile and clothing to members of the CPTPP, representing an increase of approximately 6.1% as compared with the corresponding period last year. From January to June 2024, Vietnam's yarn exports amounted to approximately US$2.16 billion, representing an increase of approximately 4.5% as compared with the corresponding period last year, of which the export to China amounted to approximately US$1.05 billion, representing an increase of approximately 0.8% as compared with the corresponding period last year. From January to June 2024, the total value of fabrics imported from other countries to Vietnam amounted to approximately US$7.24 billion, representing an increase of approximately 12.8% as compared with the corresponding period last year, of which the value of fabrics imported from Mainland China amounted to approximately US$4.89 billion, representing an increase of approximately 20.1% as compared with the corresponding period last year and accounted for approximately 67.4% of the total value of imported fabrics of Vietnam (corresponding period in 2023: approximately 63.4%). In addition, the value of fabrics imported from Korea and Taiwan, China amounted to approximately US$760 million and US$720 million, respectively, accounted for 10.5% and 10.0% of the total value of imported fabrics of Vietnam, respectively (corresponding period in 2023: 12.2% and 10.5%, respectively). Despite the weak consumer demand in the global market, the inventory pressure in the retail sector has been significantly reduced, and the export value of Vietnam's apparel products has shown a restorative growth.

During the period, the destocking cycle of apparel products brand owners was basically over. New inventory replenishment by brand customers drove the recovery of orders in the textile and apparel industry. However, as global consumer demand continued to be weak, trade environment remained uncertain and geopolitical conflicts remained in place, there were still many challenges for textile and garment manufacturing industry. During the period, the US dollar interest rate hikes came to a pause, while the RMB monetary policy was relatively loose, the slight depreciation of the exchange rate of RMB against US dollar is relatively beneficial to enterprises whose exports are settled in US dollars. Domestic cotton prices dropped below the price at the beginning of the year despite an initial increase. International cotton prices also showed a trend of initial increase followed by a drop, and the price fluctuation was significant. The price of overseas cotton at the end of June was significantly lower than the price at the beginning of the year, and was even lower than the price of domestic cotton. Overall, uncertain factors in the global macro environment and weak market demand are currently the major operating pressure for the industry.

From January to June 2024, the Group achieved sales revenue of approximately RMB12,975,971,000, representing an increase of approximately 12.2% as compared with the corresponding period last year; gross profit was approximately RMB3,761,469,000, representing an increase of approximately 45.0% as compared with the corresponding period last year; gross profit margin increased by 6.6 percentage points to 29.0%, which was due to the increase in overall capacity utilisation rate; profit attributable to owners of the parent company was approximately RMB2,931,028,000, representing an increase of approximately 37.8% as compared with the corresponding period last year, which was a record high for the Group's half-year results. As order demand has resumed and increased, the Group's main tasks during the period include: facilitating the optimal utilisation of existing production capacity, increasing the scale of production capacity of overseas factories, and accelerating the special training of production front-line cadres.

In order to better utilise the Group's existing production capacity, the Group has strengthened its efforts in employee recruitment and introduced Recruitment Incentive Scheme and Employee Salary Enhancement Programme. The Salary Enhancement Programme focused more on front-line employees and grassroots cadres. In addition, through further improving the working environment and dormitory conditions of employees, the recruitment attractiveness and the retention rate of employees have been improved. Apart from salary enhancement, the salary system was also optimised to promote fairness and justice in distribution, with an aim to fully exploit the incentive effect. At the same time, certain adjustments have been made to the production management model to focus more on on-site management, especially in terms of quality management, lean production, and material control. On-site management also served as the main assessment indicators for the performance of front-line management cadres.

As of 30 June 2024, the Group's new garment factory in Cambodia had approximately 18,000 employees, reaching the expected scale when planning the construction of the factory. The production efficiency of its employees continued to improve. During the period, the Group's garment factory in Ho Chi Minh, Vietnam had also hired more than 2,200 new employees additionally. In addition, the Group launched an equity acquisition project. The assets acquired include land use rights, onground buildings and production equipment in Tỉnh Tây Ninh, Vietnam. The main purpose of the acquisition is to obtain land use rights and a certain amount of sewage discharge rights. After the completion of the acquisition, the Group will further expand its fabric production capacity in Vietnam to provide better fabric support for overseas garment factories.

During the period, the Group launched two batches of talent training projects, namely "Young Seedlings Plan (青苗計劃)". The project mainly selected a group of outstanding young talents with high quality, potential and aspiring to engage in our industry from colleges and universities to serve as the reserve echelon of production management cadres. In order to speed up the training progress of cadres and improve management skills, the Group designed a series of training courses that combine theory and practice. Through the implementation of the " Young Seedlings Plan ", the Group aimed to better enhance the application effects of automation and digital intelligence in the industry chain, and strengthen lean management and material control in the production process.

OPERATING RESULTS OF THE GROUP

Sales

For the six months ended 30 June 2024, the Group's sales amounted to approximately RMB12,975,971,000, representing an increase of approximately RMB1,414,009,000 or approximately 12.2% from approximately RMB11,561,962,000 for the six months ended 30 June 2023. During the period, the increase in the Group's sales revenue was mainly due to: 1) during the period, the Group's procurement proportion among most major customers further increased; and 2) the orders from the Mainland China market and the Japanese market increased significantly.

The comparison of sales breakdown by product categories of the Group between the six months ended 30 June 2024 and the six months ended 30 June 2023 is as below:

	For the six months ended 30 June					
	2024		2023		Change	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
By product						
Sportswear	**9,212,546**	**71.0**	8,560,723	74.0	651,823	7.6
Casual wear	**2,760,739**	**21.3**	2,299,766	19.9	460,973	20.0
Lingerie wear	**903,182**	**7.0**	612,784	5.3	290,398	47.4
Other knitwear	**99,504**	**0.7**	88,689	0.8	10,815	12.2
Total sales	**12,975,971**	**100.0**	11,561,962	100.0	1,414,009	12.2

For the six months ended 30 June 2024, sales of sportswear products were approximately RMB9,212,546,000, representing an increase of approximately RMB651,823,000 or approximately 7.6% from approximately RMB8,560,723,000 for the six months ended 30 June 2023. During the period, the increase in sales of sportswear products was mainly attributable to the increase in demand for sportswear in the Mainland China market.

Sales of casual wear products increased by approximately RMB460,973,000 or approximately 20.0% from approximately RMB2,299,766,000 for the six months ended 30 June 2023 to approximately RMB2,760,739,000 for the six months ended 30 June 2024. During the period, the increase in sales of casual wear products was mainly attributable to the increase in demand for casual wear in the Japanese, the European and other markets.

Sales of lingerie wear products increased by approximately RMB290,398,000 or approximately 47.4% from approximately RMB612,784,000 for the six months ended 30 June 2023 to approximately RMB903,182,000 for the six months ended 30 June 2024. During the period, the increase in sales of lingerie wear products was mainly attributable to the increase in demand for lingerie wear in the Japanese market.

Sales of other knitwear increased by approximately RMB10,815,000 or approximately 12.2% from approximately RMB88,689,000 for the six months ended 30 June 2023 to approximately RMB99,504,000 for the six months ended 30 June 2024.

The comparison of sales breakdown by markets of the Group between the six months ended 30 June 2024 and the six months ended 30 June 2023 is as below:

	For the six months ended 30 June					
	2024		2023		Change	
	RMB'000	**%**	*RMB'000*	%	*RMB'000*	%
By market						
International sales						
Europe	**2,526,925**	**19.5**	2,421,402	20.9	105,523	4.4
Japan	**2,115,984**	**16.3**	1,666,147	14.4	449,837	27.0
US	**1,881,045**	**14.5**	1,831,356	15.9	49,689	2.7
Other markets	**2,727,759**	**21.0**	2,539,800	22.0	187,959	7.4
Sub-total sales from international market	**9,251,713**	**71.3**	8,458,705	73.2	793,008	9.4
Sales from China domestic market	**3,724,258**	**28.7**	3,103,257	26.8	621,001	20.0
Total sales	**12,975,971**	**100.0**	11,561,962	100.0	1,414,009	12.2

For the six months ended 30 June 2024, the Group's sales in the European market was approximately RMB2,526,925,000, representing an increase of approximately RMB105,523,000 or approximately 4.4% from approximately RMB2,421,402,000 for the six months ended 30 June 2023. During the period, the increase in sales in the European market was mainly due to the increase in demand for casual wear in the European market.

For the six months ended 30 June 2024, the Group's sales in the Japanese market was approximately RMB2,115,984,000, representing an increase of approximately RMB449,837,000 or approximately 27.0% from approximately RMB1,666,147,000 for the six months ended 30 June 2023. During the period, the increase in sales in the Japanese market was mainly due to the increase in demand for casual wear and lingerie wear in the Japanese market.

For the six months ended 30 June 2024, the Group's sales in the US market was approximately RMB1,881,045,000, representing an increase of approximately RMB49,689,000 or approximately 2.7% from approximately RMB1,831,356,000 for the six months ended 30 June 2023. During the period, the increase in sales in the US market was mainly due to the increase in demand for sportswear in the US market.

For the six months ended 30 June 2024, the Group's sales in other markets, including Canada, Korea and Australia, was approximately RMB2,727,759,000, representing an increase of approximately RMB187,959,000 or approximately 7.4% from approximately RMB2,539,800,000 for the six months ended 30 June 2023. During the period, the increase in sales in other markets was mainly due to the increase in demand for casual wear in Korea, Australia and some Southeast Asian countries.

For the six months ended 30 June 2024, the Group's sales in the domestic market increased by approximately 20.0% as compared with the corresponding period of last year. Among the domestic sales, sales from garment amounted to approximately RMB3,641,465,000, representing an increase of approximately RMB607,601,000 or approximately 20.0% from approximately RMB3,033,864,000 for the corresponding period last year. During the period, the increase in sales in the domestic market was mainly due to the increase in orders related to the Mainland China market placed by sportswear brands.

Cost of sales and Gross profit

The cost of sales of the Group for the six months ended 30 June 2024 amounted to approximately RMB9,214,502,000 (for the six months ended 30 June 2023: approximately RMB8,967,058,000). For the six months ended 30 June 2024, the gross profit margin of the Group was approximately 29.0%, representing an increase of 6.6 percentage points from approximately 22.4% for the corresponding period last year. The main factors affecting the Group's gross profit margin were: 1) during the period, the Group's overall capacity utilisation rate increased significantly as compared with the corresponding period of last year; and 2) the number of employees in the new overseas factories has reached the designed scale and the production efficiency continues to improve.

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

As at 30 June 2024, the Group's equity attributable to owners of the parent amounted to approximately RMB34,124,884,000 (31 December 2023: approximately RMB32,867,316,000), in which non-current assets were approximately RMB16,933,307,000 (31 December 2023: approximately RMB20,131,649,000), net current assets were approximately RMB19,437,557,000 (31 December 2023: approximately RMB15,095,005,000), non-current liabilities were approximately RMB2,245,980,000 (31 December 2023: approximately RMB2,359,338,000). Changes in equity attributable to owners of the parent were mainly attributable to the fact that: 1) the Group's operating profit for the period increased its reserve balances; and 2) the increase in reserves was partially offset by the payment of final dividend for 2023 to owners of the parent during the period.

LIQUIDITY AND FINANCIAL RESOURCES

For the six months ended 30 June 2024, net cash generated from the Group's operating activities amounted to approximately RMB2,309,576,000, representing a decrease of RMB394,139,000 from approximately RMB2,703,715,000 for the corresponding period last year. The Group's cash and cash equivalents as at 30 June 2024 amounted to approximately RMB10,081,734,000, of which approximately RMB6,598,381,000 was denominated in US dollar ("USD"), approximately RMB2,873,813,000 was denominated in Renminbi ("RMB"), approximately RMB569,089,000 was denominated in Hong Kong dollar ("HKD"), approximately RMB37,673,000 was denominated in VND, approximately RMB1,067,000 was denominated in EUR and the balance was denominated in other currencies (31 December 2023: approximately RMB11,596,453,000, of which approximately RMB5,878,154,000 was denominated in RMB, approximately RMB5,669,442,000 was denominated in USD, approximately RMB19,588,000 was denominated in HKD, approximately RMB25,546,000 was denominated in VND, and the balance was denominated in other currencies). The balance of bank borrowings was approximately RMB10,827,793,000, including short term bank borrowings of approximately RMB9,027,793,000 and long term bank borrowings of RMB1,800,000,000 (31 December 2023: approximately RMB12,103,968,000, including short term bank borrowings of approximately RMB10,203,968,000 and long term bank borrowings of RMB1,900,000,000). As at 30 June 2024, the Group's net borrowings (bank borrowings less cash and cash equivalents) was approximately RMB746,059,000, representing an increase of approximately RMB238,544,000 from approximately RMB507,515,000 as at 31 December 2023, primarily due to the increase in non-cash time deposits during the period.

Equity attributable to owners of the parent amounted to approximately RMB34,124,884,000 (31 December 2023: approximately RMB32,867,316,000). The Group was in a healthy cash flow position, with a debt to equity ratio (total outstanding borrowings as a percentage of equity attributable to owners of the parent) of approximately 31.7% (31 December 2023: 36.8%), representing a decrease of 5.1 percentage points as compared with the end of last year. As at 30 June 2024, in addition to cash and cash equivalents, the Group also held other deposit financial assets of approximately RMB13,440,151,000 (31 December 2023: approximately RMB11,945,706,000). Total deposit financial assets of the Group (including cash and cash equivalents, bank deposits with an initial term of over three months, pledged deposits, financial assets at fair value through profit or loss and long-term time deposits at banks) amounted to approximately RMB23,521,885,000; total interest-bearing bank borrowings of the Group were approximately RMB10,827,793,000; net deposit financial assets (net of interest-bearing bank borrowings) were approximately RMB12,694,092,000 (31 December 2023: approximately RMB11,438,191,000). The Group will adjust the size of our bank borrowings balance in due course depending on the movement of interest rates in the market.

As part of the Group's general treasury management policies, the Group purchased financial products (including financial assets at fair value through profit or loss and time deposits) from a number of licensed banks in Mainland China and Hong Kong to maximise the return from the Group's idle funds through a legal channel with low risks. These financial products were covered by principal protection clause stipulated in the agreement we entered into with these licensed banks. The results of the applicable size test about the purchase of these financial products were all below 5% and therefore these purchases were not subject to the notifiable transaction requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The purchase of such financial products was approved by the investment and lending committee established by the Board to monitor the implementation of treasury management policies of the Group.

Finance costs and tax

For the six months ended 30 June 2024, finance costs increased by approximately RMB45,131,000 to approximately RMB191,389,000 from approximately RMB146,258,000 for the six months ended 30 June 2023, which was mainly due to the increase in the average loan balance during the period as compared with the corresponding period of last year.

For the six months ended 30 June 2024, the Group's income tax expense increased by approximately RMB96,586,000 to approximately RMB318,181,000 from approximately RMB221,595,000 for the six months ended 30 June 2023, which was mainly due to the increase in total profit of the Group during the period.

Exposure to foreign exchange

As the Group's sales were mainly settled in USD, while its procurement was mainly settled in RMB, the Group's costs and operating profit margin were affected by exchange rate fluctuations to a certain extent. The Group adopted corresponding policies in light of the existing fluctuations of exchange rate between USD and RMB to hedge against certain risk exposure in respect of foreign exchange. The amount applied for hedging depends on the Group's revenue, procurement and capital expenditure in USD, as well as the market forecast of fluctuations in the exchange rate of USD against RMB.

In order to avoid any decrease and volatility in value of future cash flows caused by any change in exchange rate of RMB against USD, the Group has arranged certain amount of loans denominated in USD and loans denominated in HKD with linked exchange rate with USD. Amongst total bank borrowings as at 30 June 2024, loans of approximately RMB1,192,966,000 were denominated in USD (calculated based on the original currency of approximately USD167,392,000) and loans of RMB5,404,827,000 were denominated in HKD (calculated based on the original currency of HKD5,921,800,000) (31 December 2023: loans of approximately RMB1,600,113,000 were denominated in USD (calculated based on the original currency of approximately USD225,918,000) and loans of approximately RMB5,003,855,000 were denominated in HKD (calculated based on the original currency of HKD5,521,800,000)).

Employment, training and development

As at 30 June 2024, the Group employed approximately 101,720 employees (31 December 2023: 92,030) in total. During the period, the total staff costs (including management and administrative staff) accounted for approximately 28.5% (for the six months ended 30 June 2023: approximately 29.1%) of the Group's sales. The Group determined the remuneration of its staff with reference to their performance, qualifications and industry practices, and reviewed the remuneration policy regularly. Employees might receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. In addition, the Group also offered staff rewards or other forms of incentives to motivate their personal growth and career development. For instance, the Group offered training to its staff continuously to enhance their technical and product knowledge as well as their understanding of quality standards in industry, and all of the new employees of the Group were required to attend introductory courses, while there were also various types of training courses available for all employees to attend.

Capital expenditure and commitments

For the six months ended 30 June 2024, the Group's total investment in property, plant and equipment, right-of-use assets and intangible assets amounted to approximately RMB640,159,000, of which approximately 58% was used for the acquisition of production facilities, approximately 37% was used for the construction and acquisition of new factory buildings and right-of-use assets and the balance was used for the purchase of other fixed assets and software.

As at 30 June 2024, the Group had contracted commitments of approximately RMB893,163,000 in connection with the acquisition and construction of property, plant and equipment, which were mainly financed by the net proceeds from internal resources.

Significant investments, acquisitions and disposals

During the period, a wholly-owned subsidiary of the Group entered into an agreement of intent in relation to equity transfer with an independent third-party company in Korea (hereinafter referred to as "Transferor"), whereby the Group acquired all the equity interests in a subsidiary of Transferor (the "Target Company") located in Tỉnh Tây Ninh, Vietnam. The main assets of the Target Company included the land use rights, onground buildings and production equipment located in Tỉnh Tây Ninh, Vietnam, and a certain amount of wastewater discharge rights required for the production of fabrics. The transfer base price of all the shares of the Target Company was USD50,000,000. Both parties entered into a formal equity transfer agreement on 12 July 2024, and completed the change of the certificate of incorporation on 16 July 2024. The Target Company has become a wholly-owned subsidiary of the Group. The future business plan is mainly to further expand the fabric production capacity of the Group in Vietnam.

During the period, a wholly-owned subsidiary of the Group entered into an equity transfer agreement with Shanghai Zhangqiao Economic Development Corporation (上海張橋經濟發展總公司) (the "Purchaser"), whereby the Group sold all the equity interests in Shanghai Maxwin Industry Co., Ltd. ("Maxwin Industry"), a wholly-owned subsidiary of the Group, to the Purchaser for the transaction price of the transfer of RMB582,526,000. Maxwin Industry was acquired by the Group from a third party in May 2010 through equity transfer for RMB297,000,000. Its main assets were the land use rights and buildings located at Chuanqiao Road, Pudong New Area, Shanghai. Its main business before the equity transfer was real estate leasing. On 27 June 2024, Maxwin Industry completed the change of business license for the equity transfer. During the period, as the equity transfer has not been completed, the Group has not yet recognised the corresponding gains.

Save as disclosed above, for the six months ended 30 June 2024, the Group had no other significant investments, significant acquisitions and disposals in relation to our subsidiaries, associates and joint ventures that required to be disclosed.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio was approximately 31.7%, calculated base on the ratio of the balance of total outstanding borrowings to the equity attributable to owners of the parent company.

Contingent liabilities

As at 30 June 2024, the Group had no significant contingent liability (31 December 2023: Nil).

FUTURE PROSPECTS AND STRATEGIES

Currently, the global economic growth lacks new growth momentum, growth in consumer demand is weak, global geopolitical risks is relatively high and local conflicts occur frequently. The inflationary pressures in developed economies are alleviating but the pace of decline is slowing down. Domestically, the growth of consumer demand is relatively slow and the economic growth is in a period of momentum transition. However, with the gradual recovery of the economy, the domestic market still has a relatively great growth potential. The uncertainty of the global trade environment, cost differences in production factors such as labor, and the increasing market demand for speedy supply chain response have prompted the continuous development of transnational layout of textile and apparel industry. In addition, pressures such as rising costs, intensifying industrial competition, and increasing environmental protection requirements have prompted the transformation of the industry towards high-end, intelligent, green and other sustainable development directions. The maturity of new technologies, new materials, new equipment and other conditions have also provided the external momentum for industry transformation and upgrade.

In 2023, the Group had, for the first time affected by the impact of insufficient production capacity utilisation due to the decline in market demand. The Group adopted coping strategies timely. In terms of product, we explored new categories and developed new products, in terms of customer, we enhanced the procurement ratio among strategic customers and brought in new customers, through such efforts, the Group's business resumed a growing trend amid an environment of weak industry demand. The competitiveness of an enterprise in the industry is the fundamental guarantee for business growth. The Group's future development strategy will be based on continuing to enhance its competitive advantage in the industry, including optimising the global layout of the industry chain, focusing on the building of the echelon of the talent team, and promoting the industrial application of digital intelligence and automation.

The Group will further increase the scale of the layout of its overseas production capacity and improve the supporting levels of both upstream and downstream of industry chain to better satisfy the supply of customers' product in various markets and shorten the product delivery cycle. The Group plans to expand the scale of its fabric production capacity in Vietnam and add supporting facilities for auxiliary processes such as dyed yarn and webbing. It has also obtained the land use rights and sewage discharge permit of a subsidiary through equity purchase. The Group will also strengthen its overseas business cooperation with suppliers, especially on the timeliness of auxiliary materials support, with an aim to respond to market demand quickly. The Group has established a certain level of industry scale in Vietnam and Cambodia, formed a good industry foundation, and improved its global layout capabilities. The Group is intentionally looking for new countries overseas for industry layout.

The Group will strengthen the building of talent echelon, uphold the concept of "talent is the key element of development while innovation is the primary driver of growth", and persist in technological empowering, with an aim to achieve sustainable high-quality development. In the process of implementing transformation related to digital intelligence, automation and low-carbonizaton, enterprises need many outstanding talents from different professions to usher their development. The Group will devote more resources to ensure the introduction, training, development, and motivation of the talents, and drive the improvement of the all-round competitiveness of the industry chain in innovation, efficiency and quality through the implementation of talent strategies.

The Group will continue to promote the industry application of digital intelligence and automation. Through enhancing the scope and depth of digital transformation, all-round digital application covering the research and development, manufacturing and management will be achieved, the in-depth integration between information technologies such as big data and the Internet of Things and the manufacturing and management processes will be accelerated, and the continuous improvement of corporate production efficiency will be facilitated. The Group will also increase its resource investment in the research and development of automation equipment to enhance its research and development capabilities for automation equipment. In addition, the Group has required major equipment suppliers to provide qualification certification and will strengthen in-depth cooperation with equipment manufacturers that have strong automation innovation capabilities to promote the application of automation equipment in more production scenarios.

Although significant recovery in the industry is yet to come, leveraging its competitive advantages over the industry, the series of coping strategies implemented by the Group are effective. It is expected that the Group's business will continue to maintain year-on-year growth in the second half of the year, and the overall capacity utilisation rate will also remain at an ideal level.

The Group will continue to focus on its core business and tap into its long-term development. Through reform and innovation to achieve quality improvement and empowerment, the Group will enhance its ability in creating customer value and responding to market demand, win long-term trust from customers with its advantages such as quality, efficiency and service, and seek mutual benefit and win-win situation with its partners. We will look for opportunities amid difficulties, seek development amid adversity, provide consumers with better products, and create more outstanding results for investors!

EVENTS AFTER THE REPORTING PERIOD

During the period, a wholly-owned subsidiary of the Group entered into a share transfer intention agreement with an independent third-party company in Korea (hereinafter referred to as "Transferor"), pursuant to which the Group offered to acquire 100% equity interests in a subsidiary ("target company") of Transferor, located in Tỉnh Tây Ninh, Vietnam at a consideration of USD50,000,000. Both parties signed a formal share transfer agreement on 12 July 2024, and the registration of the equity transfer was completed on 16 July 2024. As a result, the target company has become a wholly-owned subsidiary of the Group.

DIVIDEND

During the reporting period, at the Company 's annual general meeting held on 28 May 2024, the shareholders of the Company approved the payment of a final dividend of HK$1.08 per share for the year ended 31 December 2023 to the shareholders whose names appeared on the register of members of the Company at the close of business on 12 June 2024. The dividend was paid by the Company on 20 June 2024 in cash.

The Board had resolved to declare an interim dividend of HK$1.25 (equivalent to approximately RMB1.14) per share for the six months ended 30 June 2024 (for the six months ended 30 June 2023: HK$0.95 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 is expected to be paid on or before 27 September 2024.

Closure of Register of Members

To ascertain shareholders' entitlement to the 2024 interim dividend, the register of members of the Company will be closed from 11 September 2024 to 16 September 2024, both days inclusive, during which period no transfer of the shares of the Company will be effected. To determine entitlement to the 2024 interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:30 p.m. on 10 September 2024.

CORPORATE GOVERNANCE

Since 9 October 2005, the Board adopted its own Code of Corporate Governance, which covers all of the code provisions and most of the recommended best practices of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules.

The Company has complied with all the code provisions of the CG Code throughout the six months ended 30 June 2024. There have not been any material changes to the Company's corporate governance practices during the Reporting Period as compared with the information disclosed in the 2023 annual report.

In order to make our existing Memorandum and Articles of Association to comply with the requirements of the Laws of the Cayman Islands and the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company will continue to review its existing Memorandum and Articles of Association and make amendment if needed. The adoption of the new Articles of Association was approved at the annual general meeting held on 28 May 2024. For details, please refer to the announcements of the Company dated 25 April 2024 and 28 May 2024.

Terms of Reference of Board Committees

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

Responsibilities of Directors

All Directors should participate in continuous professional development to develop and refresh their knowledge and skills pursuant to the code provision C.1.4 set out in the CG Code. The Company has arranged for continuous professional development on the updates of the Listing Rules and the related legal and regulatory requirements for the Directors.

Corporate Governance Functions

The Company has adopted the terms of reference for corporate governance functions on 26 March 2012 in compliance with the code provision A.2.1 set out in the CG Code, effective from 1 April 2012. Pursuant to the terms of reference of the corporate governance functions, the Board shall be responsible for developing, reviewing and/or monitoring the policies and practices on corporate governance of the Group; training and continuous professional development of the Directors and senior management and making recommendations; compliance with legal and regulatory requirements; the code of conduct and compliance manual (if any) applicable to employees and the Directors; and the Group's compliance with the CG Code.

Communications with shareholders

Pursuant to the code provision 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 of the Company held on 28 May 2024 to answer shareholders' questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

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

In order to promote environmental protection, the Company is conducting consultation on arrangement of electronic dissemination of corporate communications. For details, please refer to the announcements of the Company dated 8 July 2024.

SECURITIES TRANSACTIONS OF DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules as the Company's code of conduct regarding Directors' securities transactions (the "Securities Trading Code"). A copy of the Securities Trading Code is provided to all Directors on their appointment. Reminders will be issued twice a year, being 30 days prior to the Board meeting approving the Company's interim results and 60 days prior to the Board meeting approving the Company's annual results, reminding the Directors that they are not allowed to deal in the Company's securities prior to the announcement of results (the period during which the Directors are prohibited from dealing in shares) and that all transactions must comply with the Securities Trading Code. Upon specific enquiries on this matter, all Directors have confirmed their strict compliance with the relevant provisions of the Securities Trading Code throughout the six months ended 30 June 2024.

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

CHANGES TO INFORMATION OF DIRECTORS

During the six months ended 30 June 2024, there were no changes to the information which are required to be disclosed and has been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2024.

SHARE OPTION SCHEME

No share option scheme was adopted by the Company as at 30 June 2024.

THE BOARD

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

AUDIT COMMITTEE

The Company established the Audit Committee in compliance with Rules 3.21 to 3.23 of the Listing Rules on 9 October 2005. As at the date of this announcement, 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 chairwoman of the Audit Committee.

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

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

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed matters relating to auditing, risk management, internal control and financial statements, including a review of the unaudited financial statements for the six months ended 30 June 2024.

REMUNERATION COMMITTEE

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

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

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

NOMINATION COMMITTEE

The Company established the Nomination Committee on 9 October 2005. As at the date of this announcement, the Nomination Committee comprises Mr. Jianrong Ma, an executive Director, Mr. Xinggao Liu, Mr. Bingsheng Zhang and Ms. Feirong Wang, who are independent non-executive Directors. Mr. Jianrong Ma is the chairman of the Nomination Committee.

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

SUFFICIENCY OF PUBLIC FLOAT

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

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

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

Hong Kong, PRC, 28 August 2024

As at the date of this announcement, the five executive directors of the Company are Mr. Jianrong Ma, Mr. Guanlin Huang, Mr. Renhe Ma, Mr. Cunbo Wang and Mr. Jijun Hu; and the four independent non-executive Directors are Mr. Bingsheng Zhang, Ms. Chunhong Liu, Mr. Xinggao Liu and Ms. Feirong Wang.