YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕元工業（集團）有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 551)

UNAUDITED SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 30TH SEPTEMBER, 2012

GROUP FINANCIAL HIGHLIGHTS

	For the twelve months ended 30th September, 2012	2011	Percentage increase
Turnover *(US$'000)*	7,297,887	7,045,373	3.58%
Recurring profit attributable to owners of the Company *(US$'000)*	467,704	464,558	0.68%
Non-recurring profit (loss) attributable to owners of the Company *(US$'000)*	38,540	(14,729)	N/A
Profit attributable to owners of the Company *(US$'000)*	506,244	449,829	12.54%
Basic earnings per share *(US cents)*	30.70	27.28	12.54%
Dividend per share			
1st interim dividend *(HK$)*	0.35	0.34	2.94%
2nd interim dividend *(HK$)*	0.65	N/A	N/A
Final dividend *(HK$)*	N/A	0.56	N/A

* *for identification purposes only*

INTERIM RESULTS

The Directors of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the twelve months ended 30th September, 2012 with comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the twelve months ended 30th September, 2012

	Notes	**2012 (unaudited)** ***US$'000***	2011 (audited) *US$'000*
Turnover	3	**7,297,887**	7,045,373
Cost of sales		**(5,635,506)**	(5,489,700)
Gross profit		**1,662,381**	1,555,673
Other income		**154,869**	169,222
Selling and distribution expenses		**(621,381)**	(542,283)
Administrative expenses		**(530,005)**	(513,396)
Other expenses		**(195,566)**	(170,076)
Finance costs		**(38,073)**	(37,419)
Fair value changes on derivative financial instruments	4	**(8,008)**	(36,144)
Fair value changes on consideration payable for acquisition of business		**(2,309)**	–
Gain on deemed disposal of jointly controlled entities		**5,898**	18,767
Gain on disposal of subsidiaries		**5,761**	–
Fair value changes on investment properties		**–**	6,955
Impairment loss of an available-for-sale investment		**–**	(100)
Impairment losses on investments in an associate and jointly controlled entities		**(9,345)**	(2,000)
Share of results of associates		**44,502**	35,355
Share of results of jointly controlled entities		**46,230**	27,174
Profit before taxation		**514,954**	511,728
Income tax expense	5	**(15,152)**	(28,203)
Profit for the period	6a	**499,802**	483,525
Attributable to:			
Owners of the Company		**506,244**	449,829
Non-controlling interests		**(6,442)**	33,696
		499,802	483,525
		US cents	*US cents*
Earnings per share	8		
– Basic		**30.70**	27.28
– Diluted		**28.92**	23.15

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the twelve months ended 30th September, 2012

	2012 (unaudited) *US$'000*	2011 (audited) *US$'000*
Profit for the period	**499,802**	483,525
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	**26,744**	44,768
Gain (loss) on fair value changes of investments	**1,525**	(4,024)
Gain on fair value changes of properties prior to its reclassification as investment properties	**–**	692
Deferred taxation recognised on fair value changes of properties prior to its reclassification as investment properties	**–**	(173)
Other comprehensive income for the period	**28,269**	41,263
Total comprehensive income for the period	**528,071**	524,788
Total comprehensive income attributable to:		
Owners of the Company	**525,962**	476,630
Non-controlling interests	**2,109**	48,158
	528,071	524,788

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th September, 2012

	Note	**2012 (unaudited) *US$'000***	2011 (audited) *US$'000*
Non-current assets			
Investment properties		**41,469**	41,469
Property, plant and equipment		**1,891,634**	1,849,997
Deposits paid for acquisition of property, plant and equipment		**17,262**	15,156
Prepaid lease payments		**184,315**	189,000
Intangible assets		**143,073**	111,882
Goodwill		**282,578**	233,211
Investments in associates		**404,358**	382,677
Amounts due from associates		**6,196**	11,155
Investments in jointly controlled entities		**374,855**	352,153
Deposit paid for acquisition of the remaining interest in jointly controlled entities		**–**	1,219
Amounts due from jointly controlled entities		**108,743**	123,387
Long-term loan receivables		**817**	8,311
Convertible note receivable		**4,178**	–
Available-for-sale investments		**21,513**	30,959
Rental deposits and prepayments		**25,166**	25,927
Derivative financial instruments		**581**	22,363
Pledged bank deposits		**–**	12,507
Deferred tax assets		**3,496**	1,978
Deposit paid for proposed acquisition of a business		**–**	3,127
		3,510,234	3,416,478
Current assets			
Inventories		**1,234,095**	1,087,895
Trade and other receivables	9	**1,223,087**	1,152,069
Prepaid lease payments		**5,421**	5,403
Taxation recoverable		**8,812**	1,435
Available-for-sale investments		**–**	938
Financial assets at fair value through profit or loss		**9,021**	–
Derivative financial instruments		**1,301**	226
Pledged bank deposits		**12,694**	–
Bank balances and cash		**799,530**	704,095
		3,293,961	2,952,061
Assets classified as held for sale		**1,674**	104,725
		3,295,635	3,056,786

	Note	**2012** **(unaudited)** ***US$'000***	2011 (audited) *US$'000*
Current liabilities			
Trade and other payables	10	**1,125,891**	1,109,451
Taxation payable		**17,808**	15,314
Derivative financial instruments		**1,512**	13,349
Bank borrowings		**756,388**	453,951
Bank overdrafts		**9,539**	–
Convertible bonds		**–**	283,377
		1,911,138	1,875,442
Liabilities associated with assets classified as held for sale		**–**	38,550
		1,911,138	1,913,992
Net current assets		**1,384,497**	1,142,794
Total assets less current liabilities		**4,894,731**	4,559,272
Non-current liabilities			
Consideration payable for acquisition of business		**20,753**	–
Long-term bank borrowings		**402,395**	415,120
Deferred tax liabilities		**45,439**	37,475
		468,587	452,595
Net assets		**4,426,144**	4,106,677
Capital and reserves			
Share capital		**53,211**	53,211
Reserves		**3,936,598**	3,600,557
Equity attributable to owners of the Company		**3,989,809**	3,653,768
Non-controlling interests		**436,335**	452,909
Total equity		**4,426,144**	4,106,677

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Pursuant to a resolution of the Board of Directors of the Company dated 30th May, 2012, the Company's financial year end date is changed from 30th September to 31st December in order to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in the People's Republic of China ("PRC"). Accordingly, the current interim financial period covered a twelve-month period from 1st October, 2011 to 30th September, 2012 and the comparative figures covered a twelve-month period from 1st October, 2010 to 30th September, 2011.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 30th September, 2012 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2011.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial period from 1st October, 2011 to 31st December, 2012. The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of performance focuses specifically on the turnover analysis by principal categories of the Group's business and the profit of the Group as a whole. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear products ("Retailing Business") which includes the operating and leasing of large scale commercial spaces to retailers and distributors. Accordingly, the CODM has determined that the Group has only one operating segment, as defined in HKFRS 8.

The information regarding turnover derived from the principal businesses described above is reported below:

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Turnover		
Manufacturing Business	**5,661,625**	5,604,357
Retailing Business	**1,636,262**	1,441,016
Total turnover	**7,297,887**	7,045,373

4. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Loss on changes in fair value of:		
– JV Call Options	**(20,917)**	(15,601)
– HKD Call Option	**(3)**	(31,997)
– Derivative embedded in convertible bonds	**–**	24,768
– Derivative embedded in convertible note	**(3)**	–
– Other derivative financial instruments	**12,915**	(13,314)
	(8,008)	(36,144)

5. INCOME TAX EXPENSE

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**697**	743
PRC Enterprise Income Tax ("EIT") *(note ii)*	**12,251**	21,589
Overseas taxation *(note iii)*	**7,523**	5,866
(Over)under provision in prior year:		
PRC EIT *(note ii)*	**(401)**	1,041
Overseas taxation *(note iii)*	**166**	–
	20,236	29,239
Deferred tax credit	**(5,084)**	(1,036)
	15,152	28,203

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except as follows:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired or will expire in 2012.

For entities which were entitled to unutilised tax holidays (including two-year exemption and three-year half rate) under the then existing preferential tax treatments, the unutilised tax holiday are allowed to be carried forward to future years until their expiry. However, if an entity did not commence its tax holiday due to its loss position, the tax holiday is deemed to commence from 2008 onwards. Certain PRC subsidiaries were loss-making up to 2008, their tax holidays are therefore deemed to commence in 2008.

(b) Pursuant to《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》(Caishui 2001 No. 202), the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specific state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui 2011 No. 58) issued in 2011. The directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the current period.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa 2007 No. 39), the tax concessions from EIT as set out in (a) above continue to be applicable until the expirations of the relevant concessions. Subject to the fulfillments of the conditions set out above, the preferential treatment set out in (b) above continues to be applicable on the implementation of the Law of the PRC on EIT.

(iii) Overseas

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18th October, 1999, certain subsidiaries established in Macau are exempted from Macao Complementary Tax.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6a. PROFIT FOR THE PERIOD

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Profit for the period has been arrived at after charging:		
Total staff cost	**1,562,592**	1,494,755
Operating lease rental in respects of leasehold land and building, retail shops and plant and machinery	**234,546**	202,707
Release of prepaid lease payments	**4,993**	5,060
Amortisation of intangible assets (included in selling and distribution expenses)	**7,913**	5,746
Depreciation of property, plant and equipment	**240,319**	208,549
Allowance for inventories, net	**1,037**	–
Impairment loss recognised on trade receivables	**10,005**	2,206
Loss on disposal of property, plant and equipment	**–**	187
Research and development expenditure (included in other expenses)	**164,118**	153,656
and after crediting to other income:		
Net exchange gain	**19,572**	40,248
Reversal of allowance for inventory, net	**–**	21
Write back of impairment loss on trade receivables	**–**	1,060
Net gain on disposal of property, plant and equipment	**8,429**	–
Subsidies, rebates and other income from suppliers	**30,633**	32,628

6b. RECURRING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Profit for the period attributable to owners of the Company	**506,244**	449,829
Less: Non-recurring income (expenses) attributable to owners of the Company *(note)*		
Gain on deemed disposal of jointly controlled entities	**5,898**	18,767
Impairment loss of interests in an associate and jointly controlled entities	**(9,345)**	(2,000)
Impairment loss of an available-for-sale investment	**–**	(100)
Fair value changes on derivative financial instruments	**(8,008)**	(36,144)
Fair value changes on consideration payable for acquisition of business	**(2,309)**	–
Gain on disposal of subsidiaries	**5,761**	–
Gain on disposal of property, plant and equipment	**18,177**	–
Share of result of a jointly controlled entity	**18,830**	–
Fair value changes on investment properties (net of tax)	**–**	5,216
Amounts attributable to non-controlling interests	**9,536**	(468)
Non-recurring profit (loss) attributable to owners of the Company	**38,540**	(14,729)
Recurring profit attributable to owners of the Company	**467,704**	464,558

note:

In the opinion of directors, these income (expenses) are non-recurring in nature.

7. DIVIDENDS

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Dividends recognised as distribution during the period:		
2012 First interim dividend of HK$0.35 per share (2011: 2011 Interim dividend of HK$0.34 per share) *(note)*	**74,380**	72,018
2011 Final dividend of HK$0.56 per share (2011: 2010 Final dividend of HK$0.56 per share)	**119,084**	118,555
	193,464	190,573

note:

On 30th May, 2012, the directors of the Company declared a first interim dividend of HK$0.35 per share for the 15-month period ending 31st December, 2012 (2011: interim dividend for the year ended 30th September, 2011 of HK$0.34 per share). The first interim dividend of approximately HK$577,125,000 (2011: HK$560,636,000) was paid on 13th July, 2012 to the shareholders of the Company.

Pursuant to a resolution of the Board of Directors of the Company at a meeting on 28th November, 2012, the directors of the Company declared a second interim dividend of HK$0.65 per share for the 15-month period ending 31st December, 2012. The second interim dividend of approximately HK$1,071,804,000 will be paid on 18th January, 2013 to the shareholders on the register of members of the Company on 8th January, 2013.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**506,244**	449,829
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds (net of income tax)	**1,856**	13,261
Fair value changes on derivative embedded in convertible bonds	**–**	(24,768)
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	**508,100**	438,322

	2012 **(unaudited)**	2011 (audited)
Number of shares:		
Number of ordinary shares in issue during the period, for the purpose of basic earnings per share	**1,648,928,486**	1,648,928,486
Effect of dilutive potential ordinary shares:		
USD Call Option 2011	**8,173,089**	78,504,672
USD Call Option 2015	**92,247,920**	92,247,920
Convertible bonds	**7,650,011**	73,480,373
Number of ordinary shares in issue during the period, for the purpose of diluted earnings per share	**1,756,999,506**	1,893,161,451

note:

The computation of diluted earnings per share for the twelve months ended 30th September, 2012 and 2011 do not assume the exercise of share options in Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, because the exercise price of those options was higher than the average market price of Pou Sheng's shares in the respective periods.

9. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 90 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of approximately US$839,216,000 (2011: US$782,079,000). An aged analysis based on invoice date is as follows:

	2012 **(unaudited)** ***US$'000***	2011 (audited) *US$'000*
0 to 30 days	**628,964**	576,200
31 to 90 days	**186,274**	188,892
Over 90 days	**23,978**	16,987
	839,216	782,079

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately US$436,913,000 (2011: US$537,680,000). An aged analysis based on the invoice date is as follows:

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
0 to 30 days	**334,503**	400,002
31 to 90 days	**82,487**	112,925
Over 90 days	**19,923**	24,753
	436,913	537,680

11. CONTINGENCIES

At the end of the reporting period, the Group had the following contingencies:

	2012	2011
	(unaudited)	(audited)
	US$'000	*US$'000*
Guarantees given to banks in respect of banking facilities granted to:		
(i) jointly controlled entities		
– amount guaranteed	**69,194**	91,855
– amount utilised	**46,334**	59,008
(ii) associates		
– amount guaranteed	**30,617**	26,269
– amount utilised	**15,402**	17,838
(iii) a former subsidiary		
– amount guaranteed	**12,694**	12,507
– amount utilised	**12,694**	12,507

12. EVENT AFTER THE REPORTING PERIOD

Pou Sheng announced on 21st September, 2012 that it proposes to raise funds of approximately HK$522.9 million (equivalent to approximately US$67.5 million) to HK$526.7 million (equivalent to approximately US$68.0 million) before deduction of expenses by way of rights issue, pursuant to which not less than 1,065,006,290 rights shares and not more than 1,072,701,165 rights shares on the basis of one rights share for every four existing shares held on the record date at the subscription price of HK$0.491 per rights share (the "Rights Issue").

The Company and its wholly-owned subsidiary, Major Focus Management Limited ("Major Focus") have undertaken to subscribe the rights shares allotted to Major Focus, and also underwritten in full the rights shares other than those allocated to Major Focus.

Pou Sheng's net proceeds from the Rights Issue approximated to HK$518.8 million (equivalent to approximately US$66.9 million). The Group's net proceeds from the Rights Issue (after intercompany elimination) approximated to HK$90.8 million (equivalent to approximately US$11.7 million). All of the rights shares have been issued and fully paid on 8th November, 2012, and are ranked pari passu in all respects with the then existing shares of Pou Sheng.

Upon completion of the Rights Issue, the shareholding of the Group in Pou Sheng increased from approximately 56.82% to 61.80%.

SECOND INTERIM DIVIDEND

The Directors are pleased to declare a second interim dividend of HK$0.65 per share for the 15-month period ending 31st December, 2012 to shareholders whose names appear on the Register of Members on Tuesday, 8th January, 2013. The second interim dividend will be paid on Friday, 18th January, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 8th January, 2013 to Thursday, 10th January, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the second interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, 7th January, 2013.

CHANGE OF FINANCIAL YEAR END DATE

As announced on 30th May, 2012, the Board of Directors of the Company resolved to change the financial year end date of the Company from 30th September to 31st December in order to coincide with the statutory financial year end date of the Company's subsidiaries which are incorporated in the People's Republic of China. Accordingly, the first financial period of the Company after the change is the 15-month ending 31st December, 2012.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Results

Total turnover of the Group rose 3.6% year on year to approximately US$7,297.9 million. Recurring profit was up 0.7%. The Group also had non-recurring profit for the period. Please refer to Note 6b of notes to the condensed consolidated financial statements that provides detailed disclosure of the items that give rise to non-recurring profit. When aggregating both categories of profit, then the net profit attributable to Owners of the Company for the first twelve-month period of the Fiscal Year 2012 amounted to approximately US$506.2 million.

Operations

In the first twelve months of the Fiscal Year 2012, the Group's shoe manufacturing turnover only grew by 1.5% to US$5,074.1 million, due to increased caution in orders placing by our brand name customers: sales of athletic shoes and casual/outdoor shoes were up by 1.8% and 0.5% respectively. Total shoe manufacturing volume fell by 5.4% to 308.9 million pairs. The Group's shoe manufacturing turnover experienced growth for the U.S.A and Asia regions, but saw a decline for Europe.

With regards to the retail and wholesale business of sportswear in the Greater China Region, Sales increased by 13.6% to US$1,636.3 million in the first twelve months of the Fiscal Year 2012, primarily due to factors such as acquisition of the regional retailers, opening of new stores, and promotional sales following by liquidation of inventory.

Total Turnover by Product Category

Twelve months ended 30th September (all figures rounded to millions)	**2012** US$ millions	%	**2011** US$ millions	%	**y-o-y** % Change
Athletic Shoes	3,746.4	51.3	3,680.2	52.2	1.8
Casual/Outdoor Shoes	1,245.5	17.1	1,239.6	17.6	0.5
Sports Sandals	82.2	1.1	81.2	1.2	1.2
Retail Turnover	1,636.3	22.4	1,441.0	20.5	13.6
Soles, Components & Others	587.5	8.1	603.4	8.5	(2.6)
Total Turnover	**7,297.9**	**100.0**	**7,045.4**	**100.0**	**3.6**

Total Turnover by Geographical Market

Twelve months ended 30th September (all figures rounded to millions)	**2012** US$ millions	%	**2011** US$ millions	%	**y-o-y** % Change
U.S.A.	2,035.9	27.9	2,010.8	28.5	1.2
Europe	1,465.8	20.1	1,541.5	21.9	(4.9)
Asia*	3,133.3	43.0	2,870.2	40.8	9.2
South America	374.3	5.1	352.4	5.0	6.2
Canada	103.0	1.4	99.2	1.4	3.8
Other Areas	185.6	2.5	171.3	2.4	8.3
Total Turnover	**7,297.9**	**100.0**	**7,045.4**	**100.0**	**3.6**

* *Excluding retail sales, Asia turnover was US$1,497.0 million and US$1,429.2 million, representing 20.5% and 20.3% of the total turnover in 2012 and in 2011 respectively.*

During the period, the Group's gross profit increased by 6.9% to US$1,662.4 million (2011: US$1,555.7 million), as a result of the trend of stable spot prices for materials and energy units purchased. Gradual improvement in factory operating efficiency also contributed to the gross profit improvement. Meanwhile, selling, distribution and administrative expenses increased by 9.1% to US$1,151.4 million (2011: US$1,055.7

million) driven by inflation in the Asia environment, in particular China, leading to rising wages and to higher rental costs. Share of results from associates and jointly controlled entities improved by 45.1% to US$90.7 million (2011: US$62.5 million). As a result of the aforementioned items, the Group's net profit attributable to owners amounted to US$506.2 million.

Looking Forward

The consumer market for athletic shoes and sportswear can undergo changes quickly due to the variation in consumer preferences and tastes. Given the structure of the Group's business, the Group recognizes it must adopt a more customer-oriented approach for both the global manufacturing business as well as the retail business in China. For the manufacturing business, the Group looks to enhance its production capabilities by supply chain integration and manufacturing excellence programs so as to serve its brand name customers with quality and flexible productions under dynamic market conditions. For the retail side, the Group has been optimizing its operation to be able to set sales plans by referencing latest and effective consumer preferences, which will also contribute significant improvements on inventory management. Sales growth in both areas of business is expected to be moderate and profit growth will likely be challenged by the variability of market conditions. In the long term, the Group expects there will be greater demand for athletic shoes and sportswear, and that the enhancements made by the Group will allow it to participate in the next upswing of demand.

Financial Position

The Group maintains a stable financial position. As at 30th September 2012, the Group had cash and cash equivalents of US$790.0 million (30th September, 2011: US$704.1 million) and total borrowings of US$1,158.8 million (30th September, 2011: US$1,152.4 million). Net debt was US$368.8 million as at 30th September 2012 compared to US$448.3 million as at 30th September 2011. The gearing ratio stood at 26% (30th September, 2011: 28%) and the net debt to equity ratio was 8% (30th September, 2011: 11%). The gearing ratio is based on total borrowings to total equity and the net debt to equity ratio is based on total borrowings net of cash and cash equivalents to total equity.

Group capital expenditures for the twelve months ended 30th September, 2012 amounted to US$252.2 million, a decline of 51.2% compared to the same period last year. Approximately US$247.5 million of capital expenditures was related the purchase of property, plant and equipment and US$2.6 million was related to the acquisition of prepaid land leases.

Corporate Social Responsibility

The Company recognizes that footwear manufacturing has entered into a new era of competitiveness. For those manufacturers who desire to lead the industry, it has become necessary for them to excel in the area of sustainable development ("SD").

Yesterday's focus – Production Oriented Strategy

In the past, the focus was only on establishing OEM/ODM output capability: limited attention was paid to operational transparency and the need for corporate social responsibility ("CSR"). As a consequence there was little desire to improve the factory operations and no attempt was made to achieve any CSR standards. Incidents occurred that impacted the factory workers, the environment, and the brand image. These were handled on a reactionary basis with no consideration given to sustainability in the long term.

Today's focus – Factory Self Governance

As expectations for the industry came into existence, manufacturers developed systems to hold managers accountable and implemented frameworks that gave rise to proactive approaches for managing operating incidents. Various brands have established CSR standards for their suppliers to follow. The Company believes that to be a partner with a number of brand name customers, it should establish its own CSR standards so that whenever possible the best practices are being followed.

Tomorrow's Focus – Leading in Sustainability

Pursuing sustainability in manufacturing is the essential way forward. Consistent and frequent communication within the manufacturing operation is a prerequisite to pursuing sustainability. The Company wants to build partnerships with the brand name customers and the institutions of society. This leads to innovation that connects the Company with its various clients and stakeholders. The Company recognizes the interaction between the significant players and the communities will lead to initiatives that "go beyond compliance".

The Company wishes to be a leader in the industry and do more than just comply with basic CSR standards: it wants to achieve sustainable CSR performance. Just following prescriptive compliance approaches to meet the brand name customer requirements is no longer sufficient. The Company believes that pursuing sustainability through the development of one's own CSR standards leads to stronger partnerships with the brand name customers. The Group has recently joined organizations such as the Fair Labour Association ("FLA") to assist in the development of sustainable CSR performance. The FLA's 'Sustainable Compliance Initiatives' ("SCI") auditing program is a useful tool for manufacturers. It comprises a holistic approach to measuring Human Resource Management System, Environment and Health/Safety requirements. The Group will adopt the FLA SCI requirements to allow the smooth development of a "One CSR Standard" for all the various plant sites within Yue Yuen Group across Asia. The Group will also review other approaches such as those of the World Federation of the Sporting Goods Industry ("WSFGI") for promoting and enhancing CSR in the industry.

The Company believes the successful pursuit of SD initiatives can only be achieved through an appropriate balance between people, products and profit within the following contexts:

Integration into business function and strengthened production planning
This is achieved by congregating front to backend production plans into one blueprint. A good blueprint provides strategic management which reduces gaps, duplication, risk, waste and avoids backend issues related to People, Product and Profit. This also helps to promote better management in almost all aspects. By integrating lean, green and people orientated mindset management, employees are empowered to drive sustainable manufacturing and performance.

Readiness to challenges in a dynamic and competitive environment
By investing in holistic human management approaches to build a talented, skilled and smart organization, the People become an asset to the company. Cultural differences are respected, so that social bonding is enabled and equality is upheld that leads to a harmonious working environment. In the dynamic and competitive environment of today's business world, staff need to be better equipped to adapt to the ever changing new technologies and processes, which are continually introduced into the production line due to new product complexity and upgraded manufacturing requirements. Therefore, the aim is to enable the transformation of a worker's status from that of an assembly line worker to that of a craftsman specialist, technician or engineering assistant. The ultimate goal would be the evolution to an engineer. 'Building people as assets' will enable the Company to become the employer of choice.

Move on to new business models (more machines, less people and a 'smart people' environment)
Labour intensive manufacturing industries will continue facing uphill challenges to recruit and retain skilled labour. With labour costs rising, new manufacturing facilities need to be set up in the inland Chinese cities or in other emerging countries. Furthermore there has been an increasing trend of automation among the brand name customers to improve manufacturing excellence within the various labour intensive industries. Product complexity is now a general trend in the footwear manufacturing industry and thus another factor that creates the need for more automation.

The Company is working to evolve from just being a large enterprise in the footwear manufacturing industry to being a "Happy and Sustainable Company" that can be considered a long term dependable supplier to brand name companies operating in the footwear industry.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the twelve months ended 30th September, 2012.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited second interim financial statements.

The external auditor has reviewed the second interim financial information for the twelve months ended 30th September, 2012 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

During the twelve months ended 30th September, 2012, the Company has applied the principles of and has complied with all the code provisions set out in the Code on Corporate Governance Practices effective until 31st March, 2012 and Corporate Governance Code with effect from 1st April, 2012 as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the twelve months ended 30th September, 2012.

PUBLICATION OF RESULTS ANNOUNCEMENT AND SECOND INTERIM REPORT

This announcement is published on the website of the Company (www.yueyuen.com) and the designated issuer website of Stock Exchange (www.hkexnews.hk). The second interim report 2012 of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

As at the date of this announcement, Mr. Tsai Chi Neng (Chairman), Mr. David N. F. Tsai (Managing Director), Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien and Mr. Lee Shao Wu are the Executive Directors, and Dr. Liu Len Yu, Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng and Ms. Yen Mun-Gie (also known as Teresa Yen) are the Independent Non-executive Directors.

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 28th November, 2012

website: www.yueyuen.com