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YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 551)

FINAL RESULTS
FOR THE FIFTEEN MONTHS ENDED 31ST DECEMBER, 2012

GROUP FINANCIAL HIGHLIGHTS

Results for the fifteen months ended 31st December, 2012 with the comparative amounts for the twelve months ended 30th September, 2011

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
Turnover *(US$'000)*	**9,193,226**	7,045,373
Recurring operating profit attributable to owners of the Company *(US$'000)*	**583,130**	464,558
Non-recurring operating profit (loss) attributable to owners of the Company *(US$'000)*	**40,571**	(14,729)
Profit attributable to owners of the Company *(US$'000)*	**623,701**	449,829
Basic earnings per share *(US cents)*	**37.82**	27.28
Dividend per share		
1st interim dividend *(HK$)*	**0.35**	0.34
2nd interim dividend *(HK$)*	**0.65**	N/A
Final dividend (proposed) *(HK$)*	**0.25**	0.56

* *For identification purposes only*

RESULTS

The Directors of Yue Yuen Industrial (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the fifteen months ended 31st December, 2012:

CONSOLIDATED INCOME STATEMENT

For the fifteen months ended 31st December, 2012

	NOTES	**1.10.2011 to 31.12.2012 *US$'000***	1.10.2010 to 30.9.2011 *US$'000*
Turnover	*3*	**9,193,226**	7,045,373
Cost of sales		**(7,094,107)**	(5,489,700)
Gross profit		**2,099,119**	1,555,673
Other income		**194,801**	169,222
Fair value changes on investment properties		**390**	6,955
Fair value changes on derivative financial instruments		**(4,637)**	(36,144)
Fair value changes on consideration payable for acquisition of business		**(2,085)**	–
Selling and distribution expenses		**(788,249)**	(542,283)
Administrative expenses		**(678,030)**	(513,396)
Other expenses		**(244,853)**	(170,076)
Gain on deemed disposal of a jointly controlled entity		**5,898**	18,767
Gain on disposal of subsidiaries		**5,761**	–
Impairment loss on investments in associates		**(3,040)**	(500)
Impairment loss on loan to an associate		**(1,366)**	–
Impairment loss on investments in jointly controlled entities		**(6,305)**	(1,500)
Impairment loss on intangible assets		**(8,485)**	–
Impairment loss on an available-for-sale investment		**–**	(100)
Finance costs		**(46,053)**	(37,419)
Share of results of associates		**58,702**	35,355
Share of results of jointly controlled entities		**55,332**	27,174
Profit before taxation		**636,900**	511,728
Income tax expense	*4*	**(25,578)**	(28,203)
Profit for the period/year	*5*	**611,322**	483,525
Attributable to:			
Owners of the Company		**623,701**	449,829
Non-controlling interests		**(12,379)**	33,696
		611,322	483,525
		US cents	*US cents*
Earnings per share	*7*		
- Basic		**37.82**	27.28
- Diluted		**35.67**	23.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the fifteen months ended 31st December, 2012

	1.10.2011 to 31.12.2012 *US$'000*	1.10.2010 to 30.9.2011 *US$'000*
Profit for the period/year	**611,322**	483,525
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	**35,749**	44,768
Gain (loss) on fair value changes of available-for-sale investments	**3,504**	(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/year	**39,253**	41,263
Total comprehensive income for the period/year	**650,575**	524,788
Total comprehensive income attributable to:		
Owners of the Company	**650,519**	476,630
Non-controlling interests	**56**	48,158
	650,575	524,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTE	**31.12.2012** **US$'000**	30.9.2011 US$'000
Non-current assets			
Investment properties		**42,290**	41,469
Property, plant and equipment		**1,874,614**	1,849,997
Deposits paid for acquisition of property, plant and equipment		**11,698**	15,156
Prepaid lease payments		**181,653**	189,000
Intangible assets		**134,031**	111,882
Goodwill		**273,962**	233,211
Investments in associates		**411,160**	382,677
Amounts due from associates		**4,906**	11,155
Investments in jointly controlled entities		**424,197**	352,153
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		**–**	1,219
Amounts due from jointly controlled entities		**59,836**	123,387
Long-term loan receivables		**827**	8,311
Convertible note receivable		**4,322**	–
Available-for-sale investments		**23,492**	30,959
Rental deposits and prepayments		**23,159**	25,927
Derivative financial instruments		**936**	22,363
Pledged bank deposits		**–**	12,507
Deferred tax assets		**4,051**	1,978
Deposit paid for proposed acquisition of a business		**–**	3,127
		3,475,134	3,416,478
Current assets			
Inventories		**1,207,787**	1,087,895
Trade and other receivables	*8*	**1,317,735**	1,152,069
Prepaid lease payments		**5,428**	5,403
Taxation recoverable		**7,278**	1,435
Available-for-sale investments		**–**	938
Investments held for trading		**9,024**	–
Derivative financial instruments		**2,897**	226
Bank balances and cash		**809,153**	704,095
		3,359,302	2,952,061
Assets classified as held for sale		**1,674**	104,725
		3,360,976	3,056,786

	NOTE	**31.12.2012**	30.9.2011
		US$'000	*US$'000*
Current liabilities			
Trade and other payables	*9*	**1,094,545**	1,109,451
Dividend payable		**138,320**	–
Taxation payable		**19,464**	15,314
Derivative financial instruments		**92**	13,349
Bank borrowings		**734,110**	453,951
Convertible bonds		**–**	283,377
		1,986,531	1,875,442
Liabilities associated with assets classified as held for sale		**–**	38,550
		1,986,531	1,913,992
Net current assets		**1,374,445**	1,142,794
Total assets less current liabilities		**4,849,579**	4,559,272
Non-current liabilities			
Long-term bank borrowings		**364,895**	415,120
Consideration payable for acquisition of business		**17,980**	–
Deferred tax liabilities		**45,308**	37,475
		428,183	452,595
Net assets		**4,421,396**	4,106,677
Capital and reserves			
Share capital		**53,211**	53,211
Reserves		**3,949,577**	3,600,557
Equity attributable to owners of the Company		**4,002,788**	3,653,768
Non-controlling interests		**418,608**	452,909
Total equity		**4,421,396**	4,106,677

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As set out in the announcement of the Company issued on 30th May, 2012, the financial year end date of the Company and the Group has been changed from 30th September to 31st December 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 (the "PRC"). Accordingly, the current accounting period covers a period of fifteen months from 1st October, 2011 to 31st December, 2012. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income and related notes cover a period of twelve months from 1st October, 2010 to 30th September, 2011 and therefore may not be comparable with amounts shown for the current period.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in current period

In the current period, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
Amendments to HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HKAS 24 (as revised in 2009)	Related Party Disclosures

The application of these new and revised HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[5]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1st January, 2013.
[2] Effective for annual periods beginning on or after 1st January, 2014.
[3] Effective for annual periods beginning on or after 1st January, 2015.
[4] Effective for annual periods beginning on or after 1st July, 2012.
[5] Effective for annual periods beginning on or after 1st January, 2012.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 will have no material effect on the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation - Special Purpose Entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 "Jointly Controlled Entities - Non-monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time. These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1st January, 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors are in the process of determining the financial impacts of the application of these five standards on amounts reported in the consolidated financial statements.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors anticipate that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial performance and the financial position of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of performance focuses specifically on the revenue 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 directors of the Company have determined the Group has one operating segment, as defined in HKFRS 8. The information regarding turnover derived from the principal businesses described above is reported below.

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
Turnover		
Manufacturing Business	**7,140,577**	5,604,357
Retailing Business	**2,052,649**	1,441,016
Total turnover	**9,193,226**	7,045,373

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
Athletic shoes	**4,744,743**	3,680,208
Casual/outdoor shoes	**1,561,988**	1,239,572
Sports sandals	**105,409**	81,151
Soles and components	**662,720**	548,283
Retail sales - shoes and apparel	**2,036,100**	1,431,349
Others	**82,266**	64,810
	9,193,226	7,045,373

Geographical information

The Group's revenue is mainly derived from customers located in the United States of America ("USA"), Europe and the PRC. The Group's revenue by the geographical location of the customers, irrespective of the origin of the goods, is detailed below:

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
USA	**2,584,254**	2,010,832
Europe	**1,855,496**	1,541,506
PRC	**2,700,307**	1,977,072
Others	**2,053,169**	1,515,963
	9,193,226	7,045,373

The Group's business activities are conducted predominantly in the PRC, Vietnam and Indonesia. Information about the Group's non-current assets by the geographical location of the assets is detailed below:

	31.12.2012	30.9.2011
	US$'000	*US$'000*
PRC	**1,350,643**	1,328,906
Indonesia	**439,990**	445,170
Vietnam	**431,871**	414,146
Others	**44,941**	45,209
	2,267,445	2,233,431

note: Non-current assets excluded goodwill, investments in associates, investments in jointly controlled entities, deposit paid for acquisition of the remaining interest in a jointly controlled entity, deferred tax assets, deposit paid for proposed acquisition of a business and financial instruments.

Information about major customers

Revenues from customers contributing over 10% of the total annual revenue of the Group are as follows:

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
Customer A	**2,069,725**	1,564,860
Customer B	**1,476,338**	1,153,476

4. INCOME TAX EXPENSE

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Hong Kong Profits Tax *(note i)*		
- current period/year	**721**	743
PRC Enterprise Income Tax ("EIT") *(note ii)*		
- current period/year	**16,475**	21,589
- (over)underprovision in prior years	**(768)**	1,041
Overseas taxation *(note iii)*		
- current period/year	**15,376**	5,866
- underprovision in prior years	**166**	–
	31,970	29,239
Deferred tax credit	**(6,392)**	(1,036)
	25,578	28,203

notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the period/year.

(ii) PRC

PRC EIT is 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 for the followings:

(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 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.

(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.

5. PROFIT FOR THE PERIOD/YEAR

	1.10.2011 to 31.12.2012 *US$'000*	1.10.2010 to 30.9.2011 *US$'000*
Profit for the period/year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
- basic salaries and allowances	**2,016,056**	1,452,223
- retirement benefit scheme contributions	**62,239**	40,059
- share-based payment	**2,012**	2,473
	2,080,307	1,494,755
Release of prepaid lease payments	**6,122**	5,060
Auditor's remuneration	**2,310**	2,099
Amortisation of intangible assets (included in selling and distribution expenses)	**10,083**	5,746
Depreciation of property, plant and equipment	**295,627**	208,549
Loss on disposal of property, plant and equipment (included in other expenses)	**–**	187
Loss on disposal of jointly controlled entities (included in other expenses)	**1,150**	–
Impairment loss recognised on trade receivables (included in other expenses)	**9,335**	2,206
Impairment loss recognised on other receivables (included in other expenses)	**608**	2,014
Impairment loss on loan to an associate	**1,366**	–
Allowance for inventories, net (included in cost of sales)	**5,061**	–
Research and development expenditure (included in other expenses)	**208,589**	153,656
Share of taxation of associates (included in share of results of associates)	**8,795**	6,838
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**–**	9,495
and after crediting to other income:		
Interest income	**14,831**	11,004
Dividend income from available-for-sale investments	**290**	1,167
Net exchange gain (included in other income)	**28,000**	40,248
Reversal of allowance for inventory, net	**–**	21
Written back of impairment loss on trade receivables (included in other income)	**–**	1,060
Gain on disposal of property, plant and equipment (included in other income)	**1,382**	–
Gain on deregistration of subsidiaries (included in other income)	**–**	764
Gain on disposal of land leases (included in other income)	**4,871**	2,846
Gain on disposal of an associate (included in other income)	**–**	325
Subsidies, rebates and other income from suppliers	**38,138**	32,628
Utility income from provision of electricity and water supply	**10,347**	5,813
Subcontracting income	**1,606**	687
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$287,000 (2011: US$239,000)	**12,645**	8,235
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	**17,418**	–

note: For the fifteen months ended 31st December, 2012 and twelve months ended 30th September, 2011, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

6. DIVIDENDS

	1.10.2011 to 31.12.2012 *US$'000*	1.10.2010 to 30.9.2011 *US$'000*
Dividends recognised as distribution during the period/year:		
2012 Second interim dividend of HK$0.65 per share (2011: Nil)	**138,320**	–
2012 First interim dividend of HK$0.35 per share (2011: 2011 Interim dividend of HK$0.34 per share)	**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
	331,784	190,573

The directors recommend the payment of a final dividend of HK$0.25 per share for the fifteen months ended 31st December, 2012. The proposed dividend of approximately HK$412,232,000 will be paid on or before 17th June, 2013 to those shareholders whose names appear on the Company's register of members on 10th June, 2013.

This proposed dividend is subject to approval by the shareholders at the forthcoming annual general meeting.

7. 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:

	1.10.2011 to 31.12.2012 *US$'000*	1.10.2010 to 30.9.2011 *US$'000*
Earnings:		
Profit for the period/year attributable to owners of the Company for the purpose of basic earnings per share	**623,701**	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/year attributable to owners of the Company for the purpose of diluted earnings per share	**625,557**	438,322

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
Number of shares:		
Number of ordinary shares in issue during the period/year, 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	**6,513,488**	78,504,672
USD Call Option 2015	**92,247,920**	92,247,920
Convertible bonds	**6,096,624**	73,480,373
Number of ordinary shares in issue during the period/year, for the purpose of diluted earnings per share	**1,753,786,518**	1,893,161,451

note: The computation of diluted earnings per share for the fifteen months ended 31st December, 2012, and twelve months ended 30th September, 2011 do not assume the exercise of share options of 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 period/year.

8. TRADE AND OTHER RECEIVABLES

The Group allows credit period 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 US$959,513,000 (30.9.2011: US$782,079,000) and an aged analysis based on invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	31.12.2012	30.9.2011
	US$'000	*US$'000*
0 to 30 days	**661,795**	576,200
31 to 90 days	**283,847**	188,892
Over 90 days	**13,871**	16,987
	959,513	782,079

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$407,168,000 (30.9.2011: US$537,680,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	31.12.2012	30.9.2011
	US$'000	*US$'000*
0 to 30 days	**285,213**	400,002
31 to 90 days	**102,851**	112,925
Over 90 days	**19,104**	24,753
	407,168	537,680

10. CONTINGENCIES

At the end of the reporting period, the Group had contingent liabilities as follows:

	31.12.2012	30.9.2011
	US$'000	*US$'000*
Guarantees given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
- amount guaranteed	**69,292**	91,855
- amount utilised	**47,888**	59,008
(ii) associates		
- amount guaranteed	**40,010**	26,269
- amount utilised	**13,395**	17,838
(iii) a former subsidiary		
- amount guaranteed	**–**	12,507
- amount utilised	**–**	12,507

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29th May, 2013 to 31st May, 2013, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 28th May, 2013 in order to establish the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the Company (the "Entitlement to AGM"). The record date for the Entitlement to AGM will be on 31st May, 2013.

The Register of Members of the Company will be closed from 7th June, 2013 to 10th June, 2013, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 6th June, 2013 in order to establish the identity of the shareholders who are entitled to qualify for the final dividend (the "Entitlement to Final Dividend"). The record date for the Entitlement to Final Dividend will be on 10th June, 2013.

CHANGE OF FINANCIAL YEAR END DATE

As set out in the announcement of the Company issued on 30th May, 2012, the financial year end date of the Company and the Group has been changed from 30th September to 31st December to coincide with the statutory financial year end date of the Company's major operating subsidiaries, which are incorporated in PRC. Accordingly, the current accounting period covers a period of fifteen months from 1st October, 2011 to 31st December, 2012. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income and related notes cover a period of twelve months from 1st October, 2010 to 30th September, 2011 and therefore may not be comparable with amounts shown for the current period.

The Company had prepared the first interim report for the six months period from 1st October, 2011 to 31st March, 2012, and the second interim report for the twelve months period from 1st October, 2011 to 30th September, 2012.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Results

For the fifteen months ended 31st December, 2012, the Group recorded turnover of US$9,193.2 million, representing growth of 30.5% compared to the last fiscal period's US$7,045.4 million. The last fiscal period or year refers to the twelve months of operations ended 30th September, 2011 ("FY2011"). Net profit attributable to owners of the Company increased by 38.7% to US$623.7 million from the US$449.8 million recorded in the last fiscal period. Basic earnings per share increased by 38.6% to US37.82 cents compared to last fiscal year's US27.28 cents.

Recurring Operating Profit Attributable to Owners of the Company

Excluding all items of non-recurring operating in nature, the recurring operating profit for the current period amounted to US$583.1 million, an increase of 25.5% as compared with the previous year.

	1.10.2011 to 31.12.2012	1.10.2010 to 30.9.2011
	US$'000	*US$'000*
Profit for the period/year attributable to owners of the Company	**623,701**	449,829
Less: Non-recurring operating income (expenses) attributable to owners of the Company *(note)*		
Impairment loss on investments in associates	**(3,040)**	(500)
Impairment loss on loan to an associate	**(1,366)**	–
Impairment loss on investments in jointly controlled entities	**(6,305)**	(1,500)
Impairment loss of an available-for-sale investment	**–**	(100)
Impairment loss on intangible assets	**(8,485)**	–
Fair value changes on derivative financial instruments	**(4,637)**	(36,144)
Fair vaue changes on consideration payable for acquisition of business	**(2,085)**	–
Gain on deemed disposal of jointly controlled entity	**5,898**	18,767
Gain on disposal of subsidiaries	**5,761**	–
Gain on disposal of property, plant and equipment	**18,177**	–
Gain on disposal of land leases	**4,505**	–
Share of result of a jointly controlled entity	**18,830**	–
Fair value changes on investment properties (net of tax)	**390**	5,216
Amounts attributable to non-controlling interests	**12,928**	(468)
Non-recurring operating profit (loss) attributable to owners of the Company	**40,571**	(14,729)
Recurring operating profit attributable to owners of the Company	**583,130**	464,558

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

To provide meaningful comparative information, the Group has also prepared proforma comparative financial information covering the fifteen months period of operations from 1st October, 2010 to 31st December, 2011. The proforma figures have not been audited. They are derived by combining the audited figures for the twelve months ended 30th September, 2011 with the unaudited figures for the three months ended 31st December, 2011. Figures for both periods have previously been reported to the public. The key highlights are as follows:

	1.10.2011 to 31.12.2012 *(audited)*	1.10.2010 to 31.12.2011 *(proforma)*	% change
Turnover (US$'000)	**9,193,226**	8,957,989	+2.63%
Recurring operating profit attributable to owners of the Company (US$'000)	**583,130**	606,185	-3.80%
Non-recurring operating profit (loss) attributable to owners of the Company (US$'000)	**40,571**	(421)	N/A
Profit for the period attributable to owners of the Company (US$'000)	**623,701**	605,764	+2.96%
Basic earnings per share (US cents)	**37.82**	36.74	+2.94%

Operations

General Overview

Footwear manufacturing activity for the Group experienced a noticeable increase in volume and turnover. Profit margins were stable as the rise in raw material costs and factory wages were of smaller magnitudes as compared to previous years. Besides working together with brand name customers to implement new processes to achieve manufacturing excellence and supply chain improvements, the Group has also been exploring ways to increase production in areas outside the PRC.

When considering geography, the Group's largest market is Asia representing 42.5% of total turnover. However Asia region contains both manufacturing and retail operations. In the context of manufacturing, Asia region represents 20.2% of total turnover. Thus when looking at manufacturing operations only, USA is the largest region at 28.1% of total turnover, with Asia and Europe both at 20.2%. Thus good order flow from our customers for shoes to be sold in the USA have a significant impact on the Group. For the Group's manufacturing sales in Asia, the PRC represents 7.9% of total turnover and Asia-exPRC represents 12.3% of total turnover. The Group does not determine the turnover split between Western and Eastern Europe.

Total Turnover by Geographical Market

	1.10.2011 to 31.12.2012		1.10.2010 to 30.9.2011	
	US$ millions	*%*	*US$ millions*	*%*
USA	2,584.2	28.1	2,010.8	28.5
Europe	1,855.5	20.2	1,541.5	21.9
Asia	3,909.1	42.5	2,870.2	40.8
South America	477.4	5.2	352.4	5.0
Canada	132.1	1.4	99.2	1.4
Other Areas	234.9	2.6	171.3	2.4
Total Turnover	**9,193.2**	**100.0**	**7,045.4**	**100.0**

When examining total turnover by product category, the manufacturing of athletic shoes is the dominant category at 51.6% of turnover. If only considering shoe manufacturing alone, then the manufacturing of athletic shoes is the key category representing 74.0% of shoe manufacturing turnover. Correspondingly casual shoes represent 24.4% of shoe manufacturing turnover. The Group helps leading brand name customers to offer a multitude of products across a spectrum of prices so as to ensure that consumers with different budgets can find a pair of shoes they would consider affordable. Retail sales have been positively influenced by acquisitions made during the period: if these were excluded, retail sales would be near flat on a like for like basis.

Total Turnover by Product Category

	1.10.2011 to 31.12.2012		1.10.2010 to 30.9.2011	
	US$ millions	*%*	*US$ millions*	*%*
Athletic Shoes	4,744.7	51.6	3,680.2	52.2
Casual/Outdoor Shoes	1,562.0	17.0	1,239.6	17.6
Sports Sandals	105.4	1.1	81.2	1.2
Retail Sales — Shoes, Apparel & Leasing	2,052.7	22.3	1,441.0	20.3
Soles, Components & Others	728.4	8.0	603.4	8.7
Total Turnover	**9,193.2**	**100.0**	**7,045.4**	**100.0**

At the end of December 2012, the total number of directly operated counters/stores in the PRC under the Group stood at about 3,659 and there were 2,276 sub-distributors in the Greater China region. The expiration of the exclusive distributor license with Converse at the end of calendar 2011, lead to a significant reduction in the number of sub-distributors.

During the period under review, the Group decreased the number of production lines by 2.8% to 522. The majority of the Group's production lines are now based outside the PRC.

The Group's investments in a number of associates and jointly controlled entities ("JCEs") engaged in activities such as material supplies, the production of sports apparel, ladies' shoes, safety shoes, and shoe components, have performed better this period due to consolidation in some of their industries. Brand name customers are now more concerned with the execution and quality of their suppliers. The operating environment for the retail business in the PRC was difficult, due to the undeveloped and newly-opened shops, additional staff salaries, rentals, inflation, other factors, resulting in a continuous rise in operating costs, particularly staff costs, rentals and concession expenses.

Production Review

During the period under review, the Group produced a total of 393.3 million pairs of shoes, whereas 326.6 million were produced in the twelve months ended 30th September, 2011. In general the Group's major customers were more careful when placing their orders to suppliers and those selling casual/outdoor shoes behaved in a similar fashion. The average selling price for shoes was US$16.30 per pair compared to the average selling price of US$15.31 derived for the twelve months ended 30th September, 2011.

In the period, the Group decreased slightly its production capacity, so that by 31st December, 2012 there were 522 production lines (FY2011: 537), a decrease of 2.8% compared to last fiscal year.

External demand from medium and small sized shoe manufacturers for soles and components was stable despite the more cautious attitude in their purchasing. This enabled the business unit in the Group selling to these shoe manufacturers, to generate a dependable level of profit. The unit's existing capacity was sufficient to handle this period's turnover of US$728.4 million.

Cost review

With respect to the manufacturing operations, total sales during the fifteen months period ended 31st December, 2012 amounted to US$7.1 billion (FY2011: US$5.6 billion), whereas the direct labour costs in total were US$1.1 billion (FY2011: US$0.9 billion). Total main material costs were US$2.9 billion (FY2011: 2.4 billion) and total production overhead amounted to US$1.5 billion (FY2011: US$1.1 billion).

Product development

During the period under review, the Group spent US$208.6 million (FY2011: US$153.7 million) in product development. The Group has a leading role to help the brand name customers as part of the business service offered, to design shoes with features that the market research department of the brand has found to be attractive to consumers. The product development expenses included items such as sample development, preparation work for the technical development package, and enhancing production efficiency. For each key brand name customer that has a research/development team, a corresponding independent product development centre exists within the Group to look after the said research/development team. Besides this product development work, the Group collaborates with its customers to enhance production lead times and engineer new techniques to produce high-quality footwear.

Financial Review

Liquidity

The Group's financial position remained stable. As at 31st December, 2012, the Group had cash and cash equivalents of US$809 million (FY2011: US$704 million) and total borrowings of US$1,099 million (FY2011: US$1,152 million). The gearing ratio (total borrowings to total equity) was 25% (FY2011: 28%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 7% (FY2011: 11%). The low net debt to equity ratio reflects the Group's desire to keep borrowings at a manageable level.

Capital expenditure

Capital expenditure was amounted to US$309.5 million (FY2011: US$516.6 million), as the Group's key investments for the expansion of production capacity outside the Pearl River Delta had been made in earlier years. The Group spent about US$82.3 million on constructing new factory buildings and ancillary facilities, mainly in the PRC, Vietnam and Indonesia. Meanwhile, another US$21.4 million went into buildings and properties, and a further US$168.3 million was spent on machinery and leasehold improvements.

Dividends

A final dividend of HK$0.25 per share (FY2011: HK$0.56) has been recommended, making the fifteen month period dividend per share amount to HK$1.25 (FY2011: HK$0.90).

The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The policy of upholding steady growth in the normal dividend payment over time remains intact. The dividend payout ratio for the fifteen months period is 42.6%, which is similar to the 42.5% in FY2011.

Employees

As at 31st December, 2012, the Group had about 423,000 staff employed within its various manufacturing facilities in Asia. The Group adopts a remuneration system based on an employee's performance throughout the period, and offers equal opportunities to all staff. There are incentives in the form of discretionary performance bonuses to those who make creative suggestions that improve productivity.

Looking Forward

The Group will closely observe the business needs of its customers both in the manufacturing and retail businesses. Ongoing supply chain integration and operations excellence programs will help improve quality and production. Improved sales strategies and inventory management will help the retail business gradually return to profitability. Both businesses will go through business enhancement processes in 2013 in preparation for better times in 2014. The long term trends for the sales of athletic footwear and apparel continue to be favourable with the steady global growth in the number of consumers, and the long run growth of customer incomes.

Corporate Social Responsibility

Maintaining a sustainable and responsible business has risen in importance in the business world. As one of the more prominent multinational enterprises operating on a global basis, the Group believes in the importance of integrity, ethical behavior, long term relationships and trust in business partnerships. The Group recognizes it has a duty to implement good Corporate Social Responsibility ("CSR") policy that proactively adapts to the ever changing environment so as to provide sustainable solutions to problems.

The Group is a leader in the footwear manufacturing industry and top management recognizes that a mission statement is necessary to provide direction forward. Recently it launched the mission "From Big to Great" to guide corporate development and CSR for the coming years. The Group identifies that CSR policies have an integral role to play in society, the environment, ethics and human rights. The Group also believes its policies should follow standards that are consistent with those of its stakeholders. The Group monitors its progress in pursuing the various CSR policies by investing the use of leading information systems, promoting communication and transparency amongst its operating departments.

The Group's membership in the Fair Labour Association ("FLA") demonstrates its strong commitment to following world class standards in labour management. The Group complies to "put employees first" as a promised action. The Group participated in its first official audit by the FLA in 2012 and received encouraging results. Since the FLA is an internationally recognized organization, its audits are considered to be objective and impartial. The audit result provided findings that the mission "From Big to Great" had begun and the departments were following the guidelines laid down by the Sustainable Development department. The Group is building a platform to provide the public a report on the Group initiatives. The target is to collate the group reporting initiatives ("GRI") as a standard report format at the end of 2014.

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 fifteen months period ended 31st December, 2012.

CORPORATE GOVERNANCE

During the fifteen months period ended 31st December, 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.

RE-ELECTION OF DIRECTORS

Mr. Kuo Tai Yu, Mr. Chan Lu Min, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien, Mr. Huang Ming Fu will retire by rotation at the forthcoming annual general meeting of the Company to be held on 31st May, 2013 (the "AGM") in accordance with 87 of the Bye-laws and, being eligible, offer themselves for re-election. Ms. Teresa Yen, who was appointed as an addition to the Board, will hold office until the AGM and be eligible for re-election in accordance with

86(2) of the Bye-laws. Further details of the proposed re-election of the retiring directors will be disclosed in our circular to be dispatched to all shareholders of the Company together with the annual report of the Company for the fifteen months period ended 31st December, 2012 in due course.

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 fifteen months period ended 31st December, 2012.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL 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 annual report 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. Teresa Yen are the Independent Non-executive Directors.

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 26th March, 2013

website: www.yueyuen.com