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 INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30th June, 2013	2012	Percentage increase/ (decrease)
Turnover *(US$'000)*	3,699,323	3,649,333	1.37%
Recurring operating profit attributable to owners of the Company *(US$'000)*	190,568	246,311	(22.63%)
Non-recurring operating profit attributable to owners of the Company *(US$'000)*	3,878	25,797	(84.97%)
Profit attributable to owners of the Company *(US$'000)*	194,446	272,108	(28.54%)
Basic earnings per share *(US cents)*	11.79	16.50	(28.55%)
Dividend per share – interim dividend (2012: first interim dividend) *(HK$)*	0.35	0.35	–

* *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 six months ended 30th June, 2013 with comparative figures for the corresponding period in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2013

		For the six months ended 30th June,	
		2013	2012
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Turnover	3	**3,699,323**	3,649,333
Cost of sales		**(2,920,673)**	(2,800,363)
Gross profit		**778,650**	848,970
Other income		**86,746**	80,519
Selling and distribution expenses		**(301,797)**	(313,247)
Administrative expenses		**(271,083)**	(263,193)
Other expenses		**(101,837)**	(90,557)
Finance costs		**(13,452)**	(18,656)
Fair value changes on derivative financial instruments	4	**183**	(16,204)
Fair value changes on consideration payable for acquisition of business		**(361)**	(1,542)
Gain on disposal of subsidiaries		**–**	5,761
Impairment losses of investments in an associate and joint ventures		**–**	(7,497)
Impairment losses on amounts due from joint ventures		**(2,443)**	–
Share of results of associates		**16,455**	16,150
Share of results of joint ventures		**7,717**	33,358
Profit before taxation		**198,778**	273,862
Income tax expense	5	**(8,489)**	(10,442)
Profit for the period	6	**190,289**	263,420
Attributable to:			
Owners of the Company		**194,446**	272,108
Non-controlling interests		**(4,157)**	(8,688)
		190,289	263,420
		US cents	*US cents*
Earnings per share	8		
– Basic		**11.79**	16.50
– Diluted		**11.17**	15.63

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2013

	For the six months ended 30th June,	
	2013	2012
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period	**190,289**	263,420
Other comprehensive income (expense)		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising on the translation of foreign operations	**15,370**	(3,305)
Gain (loss) on fair value changes of available-for-sale investments	**1,324**	(2,770)
Other comprehensive income (expense) for the period	**16,694**	(6,075)
Total comprehensive income for the period	**206,983**	257,345
Total comprehensive income attributable to:		
Owners of the Company	**208,168**	268,450
Non-controlling interests	**(1,185)**	(11,105)
	206,983	257,345

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2013

	Note	At 30th June, 2013 (unaudited) US$'000	At 31st December, 2012 (audited) US$'000
Non-current assets			
Investment properties		**42,290**	42,290
Property, plant and equipment		**1,834,234**	1,874,614
Deposits paid for acquisition of property, plant and equipment		**12,281**	11,698
Prepaid lease payments		**161,337**	181,653
Intangible assets		**131,905**	134,031
Goodwill		**273,962**	273,962
Investments in associates		**419,987**	411,160
Amounts due from associates		**2,596**	4,906
Investments in joint ventures		**430,995**	424,197
Amounts due from joint ventures		**43,923**	59,836
Long-term loan receivables		**839**	827
Convertible note receivable		**–**	4,322
Available-for-sale investments		**24,817**	23,492
Rental deposits and prepayments		**21,456**	23,159
Derivative financial instruments		**–**	936
Deferred tax assets		**7,765**	4,051
		3,408,387	3,475,134
Current assets			
Inventories		**1,206,976**	1,207,787
Trade and other receivables	9	**1,440,763**	1,317,735
Prepaid lease payments		**5,438**	5,428
Taxation recoverable		**4,993**	7,278
Investments held for trading		**2,815**	9,024
Derivative financial instruments		**7,978**	2,897
Convertible note receivable		**2,737**	–
Bank balances and cash		**692,727**	809,153
		3,364,427	3,359,302
Assets classified as held for sale		**22,569**	1,674
		3,386,996	3,360,976

	Note	At 30th June, 2013 (unaudited) US$'000	At 31st December, 2012 (audited) US$'000
Current liabilities			
Trade and other payables	10	**1,132,757**	1,094,545
Dividend payable		**–**	138,320
Taxation payable		**18,450**	19,464
Derivative financial instruments		**6,029**	92
Bank overdrafts		**8,763**	–
Bank borrowings		**330,049**	734,110
		1,496,048	1,986,531
Net current assets		**1,890,948**	1,374,445
Total assets less current liabilities		**5,299,335**	4,849,579
Non-current liabilities			
Long-term bank borrowings		**673,271**	364,895
Consideration payable for acquisition of business		**18,329**	17,980
Consideration payable for acquisition of additional interest in a subsidiary		**550**	–
Deferred tax liabilities		**45,998**	45,308
		738,148	428,183
Net assets		**4,561,187**	4,421,396
Capital and reserves			
Share capital		**53,211**	53,211
Reserves		**4,108,246**	3,949,577
Equity attributable to owners of the Company		**4,161,457**	4,002,788
Non-controlling interests		**399,730**	418,608
Total equity		**4,561,187**	4,421,396

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial information 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 (the "Stock Exchange") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended 30th June, 2013 are the same as those followed in the preparation of the annual financial statements of the Group for the fifteen months ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("new and revised HKFRSs") issued by the HKICPA that are relevant for the preparation of the condensed consolidated interim financial information of the Group:

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

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" may be 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". However, since the new terminology under amendments to HKAS 1 is not mandatory and the directors of the Company determine to remain the titles of "statement of comprehensive income" and "income statement" unchanged.

2. PRINCIPAL ACCOUNTING POLICIES – continued

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" – continued

In addition, 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 statement of profit or loss; and (b) items that may be reclassified subsequently to statement of 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets" in the current interim period. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Group reviewed the Group's investment property portfolios and concluded that majority of the investment properties are to be consumed substantially all of the economic benefits embodied in the investment properties over time, rather than through sale, and that the presumption set out in the amendments to HKAS 12 is rebutted. The Group continues to recognise deferred taxes on changes in fair value of these investment properties on the basis that the carrying amounts of these properties were recovered through use and hence, the adoption of the amendments to HKAS 12 has no material effect on the amounts reported.

Amendments to HKAS 34 "Interim Financial Reporting"

(as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle)

The Group has applied the amendments to HKAS 34 "Interim Financial Reporting" as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker ("CODM") and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Total assets and total liabilities information is not disclosed in the condensed consolidated interim financial information since the directors of the Company consider that there has not been any material change from the amounts disclosed in the last annual financial statements in any reportable segments.

2. PRINCIPAL ACCOUNTING POLICIES – continued

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

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated interim financial information as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) – Int 12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1st January, 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that it has had control over the investees which are consolidated into the condensed consolidated interim financial information before the application of HKFRS 10. The adoption of HKFRS 10 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

2. PRINCIPAL ACCOUNTING POLICIES – continued

Impact of the application of HKFRS 11 – continued

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in the joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in each of the joint arrangements, each of which was classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as a joint venture under HKFRS 11 and continue to be accounted for using the equity method. The adoption of HKFRS 11 has therefore had no material effect on the amounts reported in this condensed consolidated interim financial information.

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed consolidated interim financial information.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in Note 19. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in this condensed consolidated interim financial information.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial information of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

Information reported to the Board of Directors of the Company, being 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 directors of the Company have 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:

	For the six months ended 30th June,	
	2013	2012
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Turnover		
Manufacturing Business	**2,842,435**	2,816,563
Retailing Business	**856,888**	832,770
Total turnover	**3,699,323**	3,649,333

4. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

	For the six months ended 30th June,	
	2013	2012
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Gain (loss) on changes in fair value of:		
– JV Call Options	**–**	(14,655)
– other derivative financial instruments	**183**	(1,549)
	183	(16,204)

5. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2013	2012
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**43**	314
People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	**9,941**	6,991
Overseas taxation *(note iii)*	**2,522**	4,153
	12,506	11,458
Deferred tax credit	**(4,017)**	(1,016)
	8,489	10,442

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 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.

5. INCOME TAX EXPENSE – continued

(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.

6 PROFIT FOR THE PERIOD

	For the six months ended 30th June, 2013 (unaudited) *US$'000*	2012 (unaudited) *US$'000*
Profit for the period has been arrived at after charging:		
Total staff cost	**899,964**	824,652
Release of prepaid lease payments	**2,472**	2,513
Amortisation of intangible assets (included in selling and distribution expenses)	**4,080**	4,162
Depreciation of property, plant and equipment	**122,316**	117,381
Allowance for inventories, net	**4,065**	2,595
Impairment loss recognised on trade receivables (included in other expenses)	**887**	2,299
Loss on disposal of property, plant and equipment (included in other expenses)	**3,300**	–
Research and development expenditure (included in other expenses)	**84,824**	79,514
and after crediting to other income:		
Net exchange gain	**18,552**	7,932
Gain on disposal of property, plant and equipment	**–**	14,744
Subsidies, rebates and other income from suppliers	**14,523**	13,827

7. DIVIDENDS

	For the six months ended 30th June, 2013 (unaudited) *US$'000*	2012 (unaudited) *US$'000*
Dividends recognised as distribution during the period:		
2012 final dividend of HK$0.25 per share (2012: 2011 final dividend of HK$0.56 per share)	**53,118**	119,084

On 28th November, 2012, the directors of the Company declared a second interim dividend of HK$0.65 per share for the fifteen months ended 31st December, 2012 (2012: no 2011 second interim dividend was declared). The second interim dividend of approximately HK$1,071,804,000, equivalent to US$138,320,000, was paid in the current interim period on 18th January, 2013 to the shareholders of the Company.

During the current interim period, the directors of the Company declared a final dividend of HK$0.25 per share for the fifteen months ended 31th December, 2012 (2012: 2011 final dividend for the year ended 30th September, 2011 of HK$0.56 per share). The final dividend of approximately HK$412,232,000 (2012: HK$923,400,000), equivalent to US$53,118,000 (2012: US$119,084,000), was paid on 17th June, 2013 to the shareholders of the Company.

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:

	For the six months ended 30th June,	
	2013	2012
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**194,446**	272,108

	2013	2012
	(unaudited)	(unaudited)
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 2015	**92,247,920**	92,247,920
Number of ordinary shares in issue during the period for the purpose of diluted earnings per share	**1,741,176,406**	1,741,176,406

note:

The computation of diluted earnings per share for the six months ended 30th June, 2013 and 2012 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 prices of those options were 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 US$1,017,735,000 (31st December, 2012: US$959,513,000) and an aged analysis based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	At 30th June, 2013 (unaudited) ***US$'000***	At 31st December, 2012 (audited) *US$'000*
0 to 30 days	**695,676**	661,795
31 to 90 days	**304,680**	283,847
Over 90 days	**17,379**	13,871
	1,017,735	959,513

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$412,280,000 (31st December, 2012: US$407,168,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	At 30th June, 2013 (unaudited) ***US$'000***	At 31st December, 2012 (audited) *US$'000*
0 to 30 days	**277,875**	285,213
31 to 90 days	**116,917**	102,851
Over 90 days	**17,488**	19,104
	412,280	407,168

11. CONTINGENCIES

	At 30th June, 2013 (unaudited)	At 31st December, 2012 (audited)
	US$'000	*US$'000*
Guarantees given to banks in respect of banking facilities granted to:		
(i) joint ventures		
– amount guaranteed	**61,652**	69,292
– amount utilised	**39,908**	47,888
(ii) associates		
– amount guaranteed	**31,740**	40,010
– amount utilised	**8,356**	13,395

INTERIM DIVIDEND

The Directors are pleased to declare an interim dividend of HK$0.35 per share for the financial year ending 31st December, 2013 to shareholders whose names appear on the Register of Members on Thursday, 26th September, 2013. The interim dividend will be paid on Friday, 4th October, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 24th September, 2013 to Thursday, 26th September, 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the 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, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, 23rd September, 2013.

RECURRING OPERATING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Excluding all items of non-recurring operating in nature, the recurring operating profit attributable to owners of the Company for the current period amounted to US$190.6 million, a decrease of 22.6% as compared with the last corresponding period.

Recurring Operating Profit Attributable to Owners of the Company

For the six months ended 30th June, 2013

	For the six months ended 30th June,	
	2013	2012
	US$'000	*US$'000*
Profit for the period attributable to owners of the Company	**194,446**	272,108
Less: Non-recurring operating income (expenses) attributable to owners of the Company *(Note)*		
Fair value changes on derivative financial instruments	**183**	(16,204)
Fair value changes on consideration payable for acquisition of business	**(361)**	(1,542)
Impairment losses on amounts due from joint ventures	**(2,443)**	–
Impairment losses of investments in an associate and joint ventures	**–**	(7,497)
Written back of impairment on loan to a joint venture	**2,000**	–
Gain on disposal of associates and a joint venture	**3,535**	–
Gain on disposal of certain property, plant and equipment	**–**	18,177
Gain on disposal of subsidiaries	**–**	5,761
Share of result of a joint venture	**–**	18,830
Amounts attributable to non-controlling interests	**964**	8,272
Non-recurring operating profit attributable to owners of the Company	**3,878**	25,797
Recurring operating profit attributable to owners of the Company	**190,568**	246,311

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

BUSINESS REVIEW

The Group found circumstances in the first half of 2013 to be challenging in both the areas of manufacturing performance footwear for international brands, and the retail sales of athletic apparel and footwear in the Greater China region. Economic circumstances across the world varied according to the region. For the USA, there were various signs that economic recovery was coming albeit at a very gradual pace. Job growth picked up and consumer spending exhibited steady improvement. With regards to Europe, negative news continued to dominate the headlines due to the tough economic conditions in that region. Many key economies in Europe continued to be weak, the employment picture remained mixed and consumer spending was tepid. In the case of Asia, attention has been focused on the PRC as weakness in the PRC economy has pervasive effects on all other economies in the world. Various economic indicators suggest the PRC economy has been growing at a slower pace: the slower growth has lead to more restrained spending by consumers in the PRC.

The manufacturing business was challenged on various fronts. First, the significant wages hikes in Indonesia at the beginning of the year impacted margins and time will be needed to reflect these input cost changes in the factory prices. Brand name customers were tempered in their expectations and placed orders cautiously. The manufacturing wage differentials across the Asia region caused brand name customers to make more requests that manufacturing be done outside of the PRC and this created significant shifts in production capacity and capacity utilization across the various factories of the Group.

For the retail business, the weak PRC economy continued to impact consumer spending and discounting was necessary to maintain sales volumes. Efficiency and productivity continued to be the focus of management so that the store network size was stable. Management continued to vigilant in its budgeting of costs, particularly given the underlying inflationary pressures in the PRC.

FINANCIAL REVIEW

For the first six months of the financial year, the Group recorded revenue of US$3,699.3 million, representing a slight increase of 1.4% as compared with the same period last year. The Group's business activities can be delineated as two key categories: the manufacturing business done on behalf of international brand names (the "Core Manufacturing Group") and the retail business in the Greater China region (i.e. Pou Sheng). The net profit attributable to owners of the Company was US$194.4 million, representing a decline of 28.5% compared with last year's net profit of US$272.1 million. If non-recurrent items are excluded, then the recurrent net profit attributable to owners was US$190.6 million: this amount was 22.6% lower on a year on year basis.

REVENUE

Group revenue increased by 1.4% to US$3,699.3 million for the six months ended 30th June, 2013.

Looking at the underlying businesses, revenue growth for the Core Manufacturing Group was limited due to the subdued orders from customers: turnover for this division was US$2,813.1 million and had increased by 1.9% year on year. In the case of Pou Sheng, turnover was US$886.2 million and almost flat compared with the same time last year. Pou Sheng experienced a sales decline for its OEM business for domestic brands and unlike previous periods, did not engage in any acquisitions for its retail operations.

Total Turnover by Product Category

(all figures rounded to millions)	For the six months ended 30th June, 2013		2012		
	US$ millions	*%*	*US$ millions*	*%*	*% change*
Athletic Shoes	1,901.1	51.4	1,873.9	51.3	1.5
Casual/Outdoor Shoes	616.3	16.7	585.6	16.1	5.2
Sports Sandals	47.1	1.3	59.5	1.6	(20.9)
Retail Sales – Shoes, Apparel & Leasing	856.9	23.1	832.8	22.8	2.9
Soles, Components & Others	277.9	7.5	297.5	8.2	(6.6)
Total Turnover	**3,699.3**	**100.0**	**3,649.3**	**100.0**	**1.4**

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group's gross profit amounted to US$778.7 million for the six month period, a decline of 8.3% compared with the same period last year. The gross profit margin was 21.1%, representing a decrease of 2.2 percentage points on a year on year basis.

Considering the Core Manufacturing Group, gross profit was US$529.3 million for the period and was down 9.1% on a year on year basis. Higher direct labour and production overhead led to the decline in gross profit. In the case of Pou Sheng, gross profit was US$249.4 million for the period and fell by 6.6% on a year on year basis. Discounting activities as well as the lower activity for its OEM business adversely affected gross profit.

OTHER INCOME

The Group's other income amounted to US$86.7 million, up 7.7% or US$6.2 million compared with the same period last year. Almost all of the improvement was due to the increase of other income for the Core Manufacturing Group.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Group for the six month period amounted to US$301.8 million in aggregate, representing a decline of US$11.4 million or 3.6% as compared with the same period last year. The drop in expenses came about primarily from the cost reductions achieved by Pou Sheng.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses amounted to US$271.1 million and were up by US$7.9 million or 3.0% compared with the same period last year. The increase in this category may came from the step up in administrative expenses of the Core Manufacturing Group.

OTHER EXPENSES

Other expenses of the Group for the six month period were US$101.8 million, an increase of US$11.2 million or 12.4% compared with the same period last year. Other expenses were up mainly due to the increase in R&D activities and relocation costs of production in the Core Manufacturing Group.

FINANCE COSTS

The Group's finance costs declined by US$5.2 million or 27.8% to US$13.5 million for this six month reporting period, compared with the same time last year. The reduction in this category was principally due to the drop in finance costs for the Core Manufacturing Group.

SHARE OF RESULTS OF ASSOCIATES

Share of results of associates for the Group was almost unchanged compare to last year at US$16.5 million. For both the Core Manufacturing Group and Pou Sheng, the aggregate amounts for this category were more or less the same compared with the six month period last year.

SHARE OF RESULTS OF JOINT VENTURES

Share of results of joint ventures were down compared to the same period last year by US$25.6 million or 76.9% to arrive at the balance of US$7.7 million. US$18.8 million of the decline can be attributed to a one-time deferred tax credit recognized last year for a joint venture in the Core Manufacturing Group. The rest of the decline is attributable to entities also belonging to the Core Manufacturing Group.

NET PROFIT FOR THE PERIOD AND PROFIT ATTRIBUTABLE TO OWNERS

As a result of the above factors, the Group's net profit attributable to owners for the period was US$194.4 million, a decline of US$77.7 million or 28.6% compared with the same period last year. If non-recurrent items are removed, then the recurrent net profit attributable to owners was US$190.6 million and the decline was 22.6% compared with the same period last year.

FINANCIAL POSITION

The Group maintains a stable financial position. As at 30th June, 2013, the Group's cash and cash equivalents were US$684 million (31st December, 2012: US$809 million) and total borrowings of US$1,003 million (31st December, 2012: US$1,099 million). Net debt was US$319.4 million as at 30th June, 2013, compared to US$289.9 million as at 31st December, 2012. The gearing ratio stood at 22% (31st December, 2012: 25%) and the net debt to equity ratio was 7% (31st December, 2012: 7%). 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.

Additions to property, plant and equipment for the six months ended 30th June, 2013 were US$93 million, 6% lower than the amount spent in the same period last year.

BUSINESS MODEL

The Group presently operates two businesses: 1) the manufacturing of performance footwear for international brand name customers and 2) the retail and wholesale of international athletic and casual performance footwear and apparel in the Greater China region. About three quarters of the Group's sales are derived from the manufacturing of performance footwear, with the remainder of sales coming from the retail business. The manufacturing business is the core business of the Group and has been operating for well over 20 years. The retail business has a shorter history and is presently held within the Hong Kong listed vehicle, Pou Sheng.

The manufacturing of performance footwear for international brands is performed in factories spread across the Asia region. When the manufacturing factories were first established, the factories were all built in the Pearl River Delta region of China. Today China continues to hold most of the Group's manufacturing capacity, with Indonesia and Vietnam also being important locations for the Core Manufacturing Group. The Group serves a variety of customers, most of them are well established international brand names. Management of the Group aims to be the best partner of the various brands to ensure sustainable development and long term profitability. Management believes the Group's diversified manufacturing base, product development capability and economies of scale, enable it be one of the most competitive and desirable partners to work with, for brands who outsource their shoe manufacturing activities.

The business of Pou Sheng can be broadly classified into three areas. Its key business operation is the sale of international brand name athletic apparel and footwear either to end consumers, or to sub-distributors who in turn sell to end consumers. They are also in the brand licensee business that grants them exclusive rights to design, develop, manufacture, market and distribute, and the flexibility to set retail prices for the products of the licensed brands. Pou Sheng is also involved in manufacturing shoes for the PRC domestic brands.

For a better understanding of the business model of Pou Sheng, please refer to the interim report of Pou Sheng.

PROSPECTS

The Group's strategy is to achieve the goals to: 1) be the best sports gears producer and distributor; 2) build value for its customers, employees, investors, suppliers and communities by constantly providing world class products, services and solutions; 3) lead as a socially and environmentally responsible corporate citizen. In achieving the aforementioned goals, the Group should become one of the most valuable solution providers in the footwear supply chain. It will also focus on the activities to nurture people, achieve manufacturing excellence, drive innovation and build "end-to-end" supply chain capability for the PRC market.

The Group believes that 2013 will be a year of consolidation for the Group and that a new era of growth and profitability will begin in financial year 2014 for the Group.

On the manufacturing side, the Group's brand name customers should gradually increase their orders to manufacturers. The US economic recovery is on solid footing. Although Europe still exhibits weakness, many believe the most difficult times have passed for the region. The new leaders of the PRC have made comments indicating their desire to maintain stable growth. The occurrence of the World Cup, the Olympics and the European Cup in the coming years should lead to greater consumer interest in performance athletic and casual footwear. The Group's efforts in achieving manufacturing excellence will help the Group to improve efficiency in its factories and increase its flexibility as a supplier. The Group's diversified manufacturing base also helps the Group to accommodate the trend of manufacturing outside of the PRC. In the medium to long term, the Group will be able to strengthen its position as one of the leading suppliers who can meet brand name customers' needs. In the short term, the manufacturing side will go through a series of adjustments to adapt to the characteristics of the new environment and the business will enjoy better times in the financial year 2014.

For Pou Sheng, various changes are taking place away from the previous strategies of acquisitions of separate businesses and aggressive network expansion. Resources will be directed to collecting data within Pou Sheng for more dynamic decision making. Pou Sheng observes that consumers are becoming more sophisticated and it is preparing to satisfy their interest in outdoor casual performance apparel and footwear. Management is optimistic about the long-term future of the sportswear industry as consumers in the PRC realize that physical activity is an important element for maintaining good health and that rising consumer incomes will lead to more purchases of sportswear. Furthermore there are signs that PRC consumers are more engaged in sports. Demand creation activities during the World Cup, the Olympics and the European Cup in the coming years should give rise to a new wave of consumption of sportswear in the PRC. The preparation work in this year will help the retail business achieve better results in the financial year 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 six months ended 30th June, 2013.

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 condensed consolidated interim financial information.

The external auditor has reviewed the condensed consolidated interim financial information for the six months ended 30th June, 2013 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the HKICPA. Without qualifying its review conclusion, the external auditor draws attention to the fact that the comparative condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30th June, 2012 and the relevant explanatory notes disclosed in the condensed consolidated interim financial information have not been reviewed in accordance with HKSRE2410.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2013, the Company has applied the principles of and has complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 13th August, 2013, the Company has adopted a board diversity policy to set out the criteria on the composition of the Board of Directors of the Company.

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") 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 six months ended 30th June, 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.yueyuen.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The interim report 2013 of the Company will be dispatched to the shareholders of the Company and available on the above websites in due course.

ACKNOWLEDGEMENT

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.

DIRECTORS

As at the date of this announcement, Mr. Tsai Chi Neng (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Mr. Lee Shao Wu, Mr. George Hong-Chih Liu and Mr. Tsai Ming-Lun, Ming 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, 13th August, 2013

Website: www.yueyuen.com