



裕元工業(集團)有限公司
Yue Yuen Industrial (Holdings) Limited

Stock Code 股份代號 : 551



2015 Interim Report 中期報告



裕元工業(集團)有限公司*
Yue Yuen Industrial (Holdings) Limited

(Incorporated in Bermuda with limited liability)
Stock Code: 00551

2015 Interim Report

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* For identification purposes only



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Lu Chin Chu (*Chairman*)
Tsai Pei Chun, Patty⁵ (*Managing Director*)
Kuo Tai Yu
Chan Lu Min
Lin Cheng-Tien (*appointed on March 20, 2015*)
Lee Shao Wu
Tsai Ming-Lun, Ming
Hu Chia-Ho (*appointed on March 20, 2015*)
Liu George Hong-Chih
Kung Sung Yen (*retired on March 7, 2015*)
Li I Nan, Steve (*retired on March 7, 2015*)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Leung Yee Sik^{1, 2, 3, 4}
Huang Ming Fu^{1, 3, 5, 6}
Chu Li-Sheng^{1, 3, 5}
Yen Mun-Gie (also known as Teresa Yen)^{1, 3, 5}
Hsieh Yung Hsiang (also known as Alfred Hsieh)^{1, 3}

Notes:

1. Member of audit committee
2. Chairman of audit committee
3. Member of remuneration committee
4. Chairman of remuneration committee
5. Member of nomination committee
6. Chairman of nomination committee

COMPANY SECRETARY

Chau Chi Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suites 3307-09, 33/F
Tower 6, The Gateway
9 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

- Bank of America Merrill Lynch
- Bank SinoPac
- BNP Paribas
- Cathay Bank
- China Construction Bank (Asia) Corporation Ltd.
- CTBC Bank
- Citibank, N.A.
- China Citic Bank International Ltd.
- Credit Agricole Corporate & Investment Bank
- DBS Bank Ltd.
- E. Sun Bank
- Industrial Bank of Taiwan
- Mizuho Bank Ltd.
- Scotiabank (Hong Kong) Limited
- Shin Kong Bank
- Standard Chartered Bank (Hong Kong) Limited
- Sumitomo Mitsui Banking Corporation
- Taipei Fubon Commercial Bank Co., Ltd.
- The Bank of Tokyo-Mitsubishi UFJ, Ltd.
- The Hongkong and Shanghai Banking Corporation Limited
- United Overseas Bank Ltd.

SOLICITORS

Reed Smith Richards Butler

WEBSITE

www.yueyuen.com

STOCK CODE: 00551



FINANCIAL HIGHLIGHTS OF THE UNAUDITED INTERIM RESULTS

| | For the six months ended June 30, | | Percentage increase/ (decrease) |
|--|--------------------------------------|-----------|---------------------------------------|
| | 2015 | 2014 | |
| Revenue <i>(US\$'000)</i> | 4,245,431 | 3,951,335 | 7.44% |
| Recurring operating profit attributable to owners of the Company <i>(US\$'000)</i> | 208,755 | 218,117 | (4.29%) |
| Non-recurring operating profit (loss) attributable to owners of the Company <i>(US\$'000)</i> | 1,525 | (116,673) | N/A |
| Profit attributable to owners of the Company <i>(US\$'000)</i> | 210,280 | 101,444 | 107.29% |
| Basic earnings per share <i>(US cents)</i> | 12.77 | 6.15 | 107.64% |
| Dividend per share – interim dividend <i>(HK\$)</i> | 0.40 | 0.35 | 14.29% |



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 June 30, 2015 with comparative figures for the corresponding period in 2014 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2015

| | Notes | For the six months ended June 30, | |
|---|-------|-----------------------------------|---------------------------------|
| | | 2015 (unaudited) US\$'000 | 2014 (unaudited) US\$'000 |
| Revenue | 3 | 4,245,431 | 3,951,335 |
| Cost of sales | | <u>(3,286,215)</u> | <u>(3,065,870)</u> |
| Gross profit | | 959,216 | 885,465 |
| Other income | | 77,557 | 63,511 |
| Selling and distribution expenses | | (383,581) | (319,735) |
| Administrative expenses | | (324,978) | (298,740) |
| Other expenses | 4 | (92,632) | (198,772) |
| Finance costs | | (9,901) | (9,427) |
| Fair value changes on derivative financial instruments | | 12,214 | (25,177) |
| Fair value changes on consideration payable for acquisition of business | | 637 | 562 |
| Fair value changes on structured bank deposit | | – | 74 |
| Impairment loss on consideration receivable for disposal of properties | | (2,566) | – |
| Impairment loss on investment in a joint venture | | (5,483) | – |
| Impairment loss on amounts due from joint ventures | | (6,568) | (2,845) |
| Share of results of associates | | 24,909 | 19,264 |
| Share of results of joint ventures | | <u>11,954</u> | <u>11,384</u> |
| Profit before taxation | | 260,778 | 125,564 |
| Income tax expense | 5 | <u>(35,733)</u> | <u>(21,454)</u> |
| Profit for the period | 6 | <u><u>225,045</u></u> | <u><u>104,110</u></u> |
| Attributable to: | | | |
| Owners of the Company | | 210,280 | 101,444 |
| Non-controlling interests | | <u>14,765</u> | <u>2,666</u> |
| | | <u><u>225,045</u></u> | <u><u>104,110</u></u> |
| | | <i>US cents</i> | <i>US cents</i> |
| Earnings per share | 8 | | |
| – Basic | | <u>12.77</u> | <u>6.15</u> |
| – Diluted | | <u>12.42</u> | <u>5.83</u> |



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

| | For the six months ended June 30, | |
|--|--|-----------------|
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| Profit for the period | 225,045 | 104,110 |
| Other comprehensive income (expense) | | |
| <i>Items that may be subsequently reclassified to profit or loss</i> | | |
| Exchange difference arising on the translation of foreign operations | 6,691 | (29,432) |
| Fair value gain on available-for-sale investments | 12,889 | 683 |
| Reclassified to profit or loss upon disposal of available-for-sale investments | (975) | - |
| Other comprehensive income (expense) for the period | 18,605 | (28,749) |
| Total comprehensive income for the period | 243,650 | 75,361 |
| Total comprehensive income attributable to: | | |
| Owners of the Company | 228,393 | 81,132 |
| Non-controlling interests | 15,257 | (5,771) |
| | 243,650 | 75,361 |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2015

| | | At June 30, 2015 (unaudited) US\$'000 | At December 31, 2014 (audited) US\$'000 |
|--|--------------|---|---|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Investment properties | 9 | 41,382 | 41,382 |
| Property, plant and equipment | 9 | 1,869,803 | 1,817,638 |
| Deposits paid for acquisition of property, plant and equipment | | 51,185 | 30,659 |
| Prepaid lease payments | | 168,331 | 174,808 |
| Intangible assets | | 109,636 | 113,405 |
| Goodwill | | 275,072 | 273,549 |
| Investments in associates | | 472,470 | 446,028 |
| Amounts due from associates | | 2,596 | 2,499 |
| Investments in joint ventures | | 399,174 | 435,964 |
| Amounts due from joint ventures | | 18,804 | 42,136 |
| Long-term loan receivables | | 8,055 | 8,044 |
| Available-for-sale investments | | 35,137 | 28,394 |
| Rental deposits and prepayments | | 17,011 | 17,480 |
| Deferred tax assets | | 14,574 | 12,362 |
| | | <u>3,483,230</u> | <u>3,444,348</u> |
| Current assets | | | |
| Inventories | | 1,183,259 | 1,320,447 |
| Trade and other receivables | 10 | 1,515,025 | 1,405,985 |
| Prepaid lease payments | | 5,559 | 5,558 |
| Taxation recoverable | | 9,796 | 7,533 |
| Investments held for trading | 16(ii) | 390 | 2,489 |
| Derivative financial instruments | 16(i) | 666 | 6 |
| Bank balances and cash | | 993,022 | 969,433 |
| | | <u>3,707,717</u> | <u>3,711,451</u> |
| Assets classified as held for sale | | <u>-</u> | <u>15,321</u> |
| | | <u>3,707,717</u> | <u>3,726,772</u> |



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At June 30, 2015

| | | At June 30, 2015 (unaudited) US\$'000 | At December 31, 2014 (audited) US\$'000 |
|---|--------|---|---|
| | Notes | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 1,370,447 | 1,343,605 |
| Taxation payable | | 31,796 | 19,551 |
| Derivative financial instruments | 16(i) | 3,281 | 14,835 |
| Consideration payable for acquisition of additional interest in a subsidiary | | 550 | 550 |
| Bank borrowings | 12 | 513,921 | 229,345 |
| | | <u>1,919,995</u> | <u>1,607,886</u> |
| Liabilities associated with assets classified as held for sale | | – | 5,716 |
| | | <u>1,919,995</u> | <u>1,613,602</u> |
| Net current assets | | <u>1,787,722</u> | <u>2,113,170</u> |
| Total assets less current liabilities | | <u>5,270,952</u> | <u>5,557,518</u> |
| Non-current liabilities | | | |
| Long-term bank borrowings | 12 | 370,000 | 720,000 |
| Consideration payable for acquisition of business | 16(iv) | 15,808 | 16,436 |
| Deferred tax liabilities | | 38,710 | 39,639 |
| | | <u>424,518</u> | <u>776,075</u> |
| Net assets | | <u>4,846,434</u> | <u>4,781,443</u> |
| Capital and reserves | | | |
| Share capital | 13 | 53,211 | 53,211 |
| Reserves | | 4,405,121 | 4,345,771 |
| Equity attributable to owners of the Company | | 4,458,332 | 4,398,982 |
| Non-controlling interests | | 388,102 | 382,461 |
| Total equity | | <u>4,846,434</u> | <u>4,781,443</u> |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2015

| | Equity attributable to owners of the Company | | | | | | | | | | | | | | |
|---|--|---------------|---------------------------------|-----------------|---------------|---------------------------|------------------------------|--------------------------------------|---------------------|--------------------------------|---------------------|------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Investments revaluation reserve | Special reserve | Other reserve | Other revaluation reserve | Property revaluation reserve | Shares held under share award scheme | Share award reserve | Non-distributable reserve fund | Translation reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At January 1, 2014 (audited) | 53,211 | 695,536 | 11,785 | (16,688) | 48,121 | 4,551 | 519 | - | - | 35,884 | 141,182 | 3,364,557 | 4,338,658 | 397,792 | 4,736,450 |
| Exchange difference arising on the translation of foreign operations | - | - | - | - | - | - | - | - | - | - | (20,995) | - | (20,995) | (8,437) | (29,432) |
| Fair value gain on available-for-sale investments | - | - | 683 | - | - | - | - | - | - | - | - | - | 683 | - | 683 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 101,444 | 101,444 | 2,666 | 104,110 |
| Total comprehensive income (expense) for the period | - | - | 683 | - | - | - | - | - | - | - | (20,995) | 101,444 | 81,132 | (5,771) | 75,361 |
| Purchase of shares under share award scheme | - | - | - | - | - | - | (5,088) | - | - | - | - | - | (5,088) | (1,168) | (6,256) |
| Recognition of equity-settled share-based payments, net of amount forfeited relating to share options not yet vested | - | - | - | - | - | - | - | - | - | - | - | - | - | (28) | (28) |
| Recognition of equity-settled share-based payments | - | - | - | - | - | - | - | 501 | - | - | - | - | 501 | - | 501 |
| Adjustment on disposal of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,457) | (5,457) |
| Dividends (Note 7) | - | - | - | - | - | - | - | - | - | - | - | (159,391) | (159,391) | - | (159,391) |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (7,203) | (7,203) |
| Transfer to non-distributable reserve fund | - | - | - | - | - | - | - | - | 3,335 | - | (3,335) | - | - | - | - |
| At June 30, 2014 (unaudited) | 53,211 | 695,536 | 12,468 | (16,688) | 48,121 | 4,551 | 519 | (5,088) | 501 | 39,219 | 120,187 | 3,303,275 | 4,255,812 | 378,165 | 4,633,977 |
| At January 1, 2015 (audited) | 53,211 | 695,536 | 11,022 | (16,688) | 50,569 | 4,551 | 519 | (8,814) | 1,417 | 44,620 | 114,374 | 3,448,665 | 4,398,982 | 382,461 | 4,781,443 |
| Exchange difference arising on the translation of foreign operations | - | - | - | - | - | - | - | - | - | - | 6,199 | - | 6,199 | 492 | 6,691 |
| Fair value gain on available-for-sale investments | - | - | 12,889 | - | - | - | - | - | - | - | - | - | 12,889 | - | 12,889 |
| Reclassified to profit or loss upon disposal of available-for-sale investments | - | - | (975) | - | - | - | - | - | - | - | - | - | (975) | - | (975) |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 210,280 | 210,280 | 14,765 | 225,045 |
| Total comprehensive income for the period | - | - | 11,914 | - | - | - | - | - | - | - | 6,199 | 210,280 | 228,393 | 15,257 | 243,650 |
| Purchase of shares under share award scheme | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,633) | (1,633) |
| Recognition of equity-settled share-based payments, net of amount forfeited relating to share options and share awards not yet vested | - | - | - | - | - | - | - | 861 | - | - | - | - | 861 | 147 | 1,008 |
| Realised on expiry of call option | - | - | - | - | (18,272) | - | - | - | - | - | - | 18,272 | - | - | - |
| Realised on disposal of joint ventures | - | - | - | - | - | - | - | - | - | - | (1,309) | 1,309 | - | - | - |
| Realised on deregistration of subsidiaries | - | - | - | - | - | - | - | - | - | - | 12 | (12) | - | - | - |
| Disposal of subsidiaries (Note 15) | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,701) | (5,701) |
| Dividends (Note 7) | - | - | - | - | - | - | - | - | - | - | - | (169,904) | (169,904) | - | (169,904) |
| Dividends paid to non-controlling interests of subsidiaries | - | - | - | - | - | - | - | - | - | - | - | - | - | (2,429) | (2,429) |
| Transfer to non-distributable reserve fund | - | - | - | - | - | - | - | - | - | 6,655 | - | (6,655) | - | - | - |
| At June 30, 2015 (unaudited) | 53,211 | 695,536 | 22,936 | (16,688) | 32,297 | 4,551 | 519 | (8,814) | 2,278 | 51,275 | 119,276 | 3,501,955 | 4,458,332 | 388,102 | 4,846,434 |



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended June 30, 2015

notes:

- (a) The special reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of subsidiaries acquired pursuant to a corporate reorganisation in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 1992.
- (b) On April 20, 2010, in consideration of the receipt by the Company of a cash premium of approximately US\$18.3 million, the Company granted an option to a financial institution, pursuant to which the financial institution has the right, from time to time during the period from May 10, 2010 to March 31, 2015, to require the Company to issue up to a maximum of 92,247,920 ordinary shares of HK\$0.25 each in the Company at an agreed exercise price of US\$4.21 per share (the "USD Call Option 2015").

On March 31, 2015, the USD Call Option 2015 remained unexercised and lapsed. Accordingly, the premium received by the Company of approximately US\$18.3 million was derecognised and transferred to the retained profits in current period.

In addition, the Group also accounted for the acquisition of additional interests in subsidiaries and partial disposal of interests in subsidiaries without losing control as equity transactions and the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid or received was recognised in "other reserve".

- (c) The other revaluation reserve represents the fair value adjustments on intangible assets attributable to the equity interest previously held by the Group at the date of acquisition of subsidiaries. The amount recognised in the other revaluation reserve will be transferred to retained profits upon disposal of these subsidiaries or the relevant assets, whichever is earlier.
- (d) According to the relevant laws in the People's Republic of China (the "PRC"), the subsidiaries of the Group established in the PRC are required to transfer at least 10% of their net profits after taxation, as determined under the PRC accounting regulations, to a non-distributable reserve fund until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before the distribution of a dividend to equity owners. The non-distributable reserve fund can be used to offset the previous years' losses, if any.



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2015

| | For the six months ended June 30, | |
|---|--------------------------------------|---------------------------------|
| | 2015 (unaudited) US\$'000 | 2014 (unaudited) US\$'000 |
| Net cash from operating activities | 384,813 | 331,043 |
| Net cash used in investing activities | | |
| Purchase of property, plant and equipment | (185,191) | (122,736) |
| Deposits paid for acquisition of property, plant and equipment | (22,400) | (11,748) |
| Acquisition of business/subsidiaries, net of cash and cash equivalents acquired | 14 (2,060) | (4,741) |
| Dividends received from associates | 2,473 | 5,039 |
| Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of | 15 2,852 | – |
| Interest received | 5,341 | 5,374 |
| Proceed from disposal of available-for-sale investments | 5,943 | – |
| Proceeds from disposal of property, plant and equipment | 7,873 | 12,683 |
| Dividends received from joint ventures | 10,500 | 12,408 |
| Proceeds from disposal of prepaid lease payments | 12,364 | – |
| Refund of investment cost of a joint venture | 14,997 | – |
| Repayment from joint ventures | 15,752 | 101 |
| Proceeds from disposal of joint ventures | 18,811 | – |
| Deposit paid for acquisition of remaining interest in a subsidiary | – | (1,609) |
| Investments in associates | – | (1,943) |
| Placement of structured bank deposit | – | (9,743) |
| Release of structured bank deposit | – | 2,144 |
| Other investing cash flows | – | (1,707) |
| | <u>(112,745)</u> | <u>(116,478)</u> |
| Net cash used in financing activities | | |
| Repayment of bank borrowings | (815,876) | (779,009) |
| Dividends paid | (169,904) | (159,391) |
| Interest paid | (9,901) | (9,427) |
| Dividends paid to non-controlling interests of subsidiaries | (2,429) | (7,203) |
| Purchase of shares under share award scheme | (1,633) | (6,256) |
| Bank borrowings raised | 750,224 | 732,774 |
| | <u>(249,519)</u> | <u>(228,512)</u> |
| Net increase (decrease) in cash and cash equivalents | 22,549 | (13,947) |
| Effect of foreign exchange rate changes | (850) | 5,874 |
| Cash and cash equivalents at beginning of the period | 971,323 | 905,834 |
| Cash and cash equivalents at end of the period, represented by bank balances and cash | <u>993,022</u> | <u>897,761</u> |



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 and with Hong Kong Accounting Standard (“HKAS”) 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.

The accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended June 30, 2015 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2014.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time in current year:

Amendments to HKAS 19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010 - 2012 Cycle
Annual Improvements to HKFRSs 2011 - 2013 Cycle

The application of these new and revised HKFRSs did not have any material impact on the Group’s condensed consolidated interim financial information.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3. REVENUE 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 that the Group has only one operating segment, as defined in HKFRS 8. The information regarding revenue derived from the principal businesses described above is reported below:

| | For the six months ended June 30, | |
|------------------------|--------------------------------------|---------------------------------|
| | 2015 (unaudited) US\$'000 | 2014 (unaudited) US\$'000 |
| Revenue | | |
| Manufacturing Business | 3,059,087 | 2,988,156 |
| Retailing Business | 1,186,344 | 963,179 |
| Total revenue | <u>4,245,431</u> | <u>3,951,335</u> |

4. OTHER EXPENSES

During the six months ended June 30, 2014, an amount of US\$90 million was recognised for the increased contributions to social insurance benefit and housing provident fund (collectively the "Employee Benefit Payments") as other expenses in the condensed consolidated interim financial information. No such expense was recognised for the six months ended June 30, 2015.

During the six months ended June 30, 2014, no payment was made for the Employee Benefit Payments and US\$47,333,000 was paid up to December 31, 2014. During the six months ended June 30, 2015, a further US\$19,270,000 of the Employee Benefit Payments was paid. The unsettled balance of provision for the Employee Benefit Payments of US\$23,397,000 is included in trade and other payables as at June 30, 2015.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

5. INCOME TAX EXPENSE

| | For the six months ended June 30, | |
|--|--|---------------|
| | 2015 | 2014 |
| | (unaudited) | (unaudited) |
| | US\$'000 | US\$'000 |
| Taxation attributable to the Company and its subsidiaries: | | |
| Current tax charge: | | |
| Hong Kong Profits Tax (<i>note a</i>) | 1 | 27 |
| PRC Enterprise Income Tax ("EIT") (<i>note b</i>) | 19,315 | 11,012 |
| Overseas taxation (<i>note c</i>) | 19,558 | 11,991 |
| | <u>38,874</u> | <u>23,030</u> |
| Deferred tax credit | (3,141) | (1,576) |
| | <u>35,733</u> | <u>21,454</u> |

notes:

(a) Hong Kong

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

(b) 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:

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 specified 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 both periods.

(c) Overseas

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

Taxation arising in other jurisdictions including Vietnam, Indonesia and Republic of China ("Taiwan") is calculated at the rates prevailing in the respective jurisdictions, which were 22%, 25% and 17% respectively.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

6. PROFIT FOR THE PERIOD

| | For the six months ended June 30, | |
|--|--------------------------------------|---------------------------------|
| | 2015 (unaudited) US\$'000 | 2014 (unaudited) US\$'000 |
| Profit for the period has been arrived at after charging (crediting): | | |
| Total staff cost (<i>note</i>) | 1,052,905 | 1,059,538 |
| Net exchange (gain) loss (included in other (income) expenses) | (8,165) | 10,308 |
| Release of prepaid lease payments | 2,809 | 2,537 |
| Amortisation of intangible assets (included in selling and distribution expenses) | 3,941 | 3,839 |
| Depreciation of property, plant and equipment | 120,995 | 112,235 |
| (Reversal of allowance) allowance for inventories, net (included in cost of sales) | (7,723) | 21,362 |
| Impairment loss recognised on trade and other receivables, net (included in other expenses) | 3,447 | 2,431 |
| Loss on disposal of property, plant and equipment (included in other expenses) | 7,155 | 2,329 |
| Gain on disposal of prepaid lease payments (included in other income) | (8,614) | – |
| Research and development expenditure (included in other expenses) | 75,437 | 86,477 |
| Subsidies, rebates and other income from suppliers (included in other income) | (12,879) | (13,798) |
| | | |

note: For the six months ended June 30, 2014, the total staff cost included the provision for the Employee Benefit Payments of US\$90 million (six months ended June 30, 2015: Nil). Details are set out in Note 4.

7. DIVIDENDS

| | For the six months ended June 30, | |
|--|--------------------------------------|---------------------------------|
| | 2015 (unaudited) US\$'000 | 2014 (unaudited) US\$'000 |
| Dividends recognised as distribution during the period: | | |
| 2014 final dividend of HK\$0.80 per share (2014: 2013 final dividend of HK\$0.75 per share) | 169,904 | 159,391 |

During the current interim period, the directors of the Company declared a final dividend of HK\$0.80 per share for the year ended December 31, 2014 (2014: final dividend for the year ended December 31, 2013 of HK\$0.75 per share). The final dividend of approximately HK\$1,316,959,000 (2014: HK\$1,235,566,000), equivalent to US\$169,904,000 (2014: US\$159,391,000), was paid on June 18, 2015 to the shareholders of the Company.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

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 June 30, | |
|---|---|---|
| | 2015 (unaudited) <i>US\$'000</i> | 2014 (unaudited) <i>US\$'000</i> |
| Earnings: | | |
| Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share | <u>210,280</u> | <u>101,444</u> |
| | 2015 (unaudited) | 2014 (unaudited) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,646,198,486 | 1,648,228,469 |
| Effect of dilutive potential ordinary shares: | | |
| USD Call Option 2015 | 45,869,131 | 92,247,920 |
| Unvested awarded shares | <u>1,460,635</u> | <u>803,660</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <u>1,693,528,252</u> | <u>1,741,280,049</u> |

note:

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme.

The computation of diluted earnings per share for the six months ended June 30, 2015 and 2014 does not assume the exercise of share options of 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. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The directors of the Company are of the opinion that the carrying value of the Group's investment properties as at June 30, 2015 is not materially different from their fair value at that date. Accordingly, no valuation movement has been recognised in respect of the Group's investment properties for the period.

During the current interim period, the Group acquired property, plant and equipment of US\$187,066,000 (six months ended June 30, 2014: US\$123,119,000).



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

10. 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\$1,070,918,000 (December 31, 2014: US\$990,894,000) 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 June 30, 2015 | At December 31, 2014 |
|---------------|---------------------------------|-------------------------------------|
| | (unaudited) | (audited) |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0 to 30 days | 705,307 | 647,422 |
| 31 to 90 days | 340,627 | 315,265 |
| Over 90 days | 24,984 | 28,207 |
| | <u>1,070,918</u> | <u>990,894</u> |

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US\$475,995,000 (December 31, 2014: US\$459,897,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

| | At June 30, 2015 | At December 31, 2014 |
|---------------|---------------------------------|-------------------------------------|
| | (unaudited) | (audited) |
| | <i>US\$'000</i> | <i>US\$'000</i> |
| 0 to 30 days | 339,076 | 331,913 |
| 31 to 90 days | 116,006 | 109,389 |
| Over 90 days | 20,913 | 18,595 |
| | <u>475,995</u> | <u>459,897</u> |

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings of approximately US\$750 million (six months ended June 30, 2014: US\$733 million). The proceeds of new bank borrowings were used to repay bank borrowings and to finance the daily operation of the Group. Among these bank borrowings, the variable-rate borrowings bear interest at a premium over London Interbank Offered Rate, Hong Kong Interbank Offered Rate or prevailing lending rate quoted by the People's Bank of China, as appropriate.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

13. SHARE CAPITAL

| | Number of shares | Amount HK\$'000 |
|---|---------------------------------|-------------------------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.25 each: | | |
| At January 1, 2014, June 30, 2014, January 1, 2015 and June 30, 2015 | 2,000,000,000 | 500,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.25 each: | | |
| At January 1, 2014, June 30, 2014, January 1, 2015 and June 30, 2015 | 1,648,928,486 | 412,232 |
| | At June 30, 2015 | At December 31, 2014 |
| | (unaudited) | (audited) |
| | US\$'000 | US\$'000 |
| Shown in the condensed consolidated interim financial information | 53,211 | 53,211 |

14. ACQUISITION OF BUSINESS/SUBSIDIARIES

For the six months ended June 30, 2015

On May 28, 2015, the Group acquired a business, which principally engaged in sports marketing and sports agency in Taiwan, from two independent third parties at a consideration of US\$2,593,000.

The Group obtained control over the business on the date of completion of the acquisition, which has been accounted for using the purchase method. The amount of goodwill arising as a result of this acquisition was US\$1,546,000.

For the six months ended June 30, 2014

On April 7, 2014, the Group completed the acquisition of the entire equity interest in Welcome Wealth Properties Limited and its subsidiaries, which own a chain of retail stores in the PRC and Taiwan, including the related tangible and intangible assets, from independent third parties, for the purpose of strengthening its market position and geographical coverage in the PRC and Taiwan sportswear market. The Group obtained control over the business on the date of completion of the acquisition, which has been accounted for using the purchase method. Details are set out in the Group's annual financial statements for the year ended December 31, 2014.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15. DISPOSAL OF SUBSIDIARIES

During the six months ended June 30, 2015, the Group completed the disposal of 51% equity interests in Valuable Developments Limited and its subsidiaries (the "Valuable Developments Group") at an aggregate consideration of US\$4,742,000. The Valuable Developments Group is principally engaged in manufacturing of foamed cotton. The assets and liabilities attributable to the Valuable Developments Group were classified as assets held for sale and liabilities associated with assets classified as held for sale respectively, and were presented separately in the consolidated statement of financial position as at December 31, 2014.

The aggregate amounts of assets and liabilities attributable to the Valuable Developments Group on the date of disposal are as follows:

| | <i>US\$'000</i> |
|--|-----------------|
| Net assets disposed of: | |
| Property, plant and equipment | 3,477 |
| Prepaid lease payments | 711 |
| Goodwill | 23 |
| Inventories | 3,390 |
| Trade and other receivables | 8,365 |
| Bank balances and cash | 1,890 |
| Trade and other payables | (7,295) |
| Bank borrowings | (302) |
| | <hr/> |
| Total net assets | 10,259 |
| Less: Non-controlling interests | (5,701) |
| | <hr/> |
| | 4,558 |
| | <hr/> <hr/> |
| Gain on disposal of subsidiaries: | |
| Consideration received | 4,742 |
| Net assets disposed of | (4,558) |
| | <hr/> |
| Gain on disposal | 184 |
| | <hr/> <hr/> |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 4,742 |
| Less: bank balances and cash disposed of | (1,890) |
| | <hr/> |
| | 2,852 |
| | <hr/> <hr/> |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation techniques and inputs used:

| | Fair value as at | | Fair value hierarchy |
|--|--|--|----------------------|
| | June 30, 2015 (unaudited) US\$'000 | December 31, 2014 (audited) US\$'000 | |
| Financial assets at fair value through profit or loss | | | |
| Derivative financial instruments (<i>note i</i>) | 666 | 6 | Level 2 |
| Investments held for trading (<i>note ii</i>) | 390 | 2,489 | Level 2 |
| Available-for-sale investments | | | |
| Listed equity securities (<i>note iii</i>) | 35,137 | 27,125 | Level 1 |
| Total | 36,193 | 29,620 | |
| Financial liabilities at fair value through profit or loss | | | |
| Derivative financial instruments (<i>note i</i>) | 3,281 | 14,835 | Level 2 |
| Consideration payable for acquisition of business (<i>note iv</i>) | 15,808 | 16,436 | Level 3 |
| Total | 19,089 | 31,271 | |

notes:

- (i) Derivatives financial instruments mainly represents foreign exchange forward contracts and currency structured forward contracts. The valuation techniques of these foreign exchange forward contracts and currency structured forward contracts include Black-Scholes Option Pricing Model. Key inputs to the valuation model include forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
- (ii) The fair values of investments held for trading are determined with reference to prices provided by the respective issuing financial institutions.
- (iii) Listed equity securities are traded on active markets and their fair values are determined with reference to quoted market bid prices in active market.
- (iv) Consideration payable for acquisition of business represents the amount that the Group may have to compensate the vendor for the shortfall, if any, of the market value of the ordinary shares of Pou Sheng issued for the acquisition of a business in prior years below HK\$4.00 each at the expiry of a pre-determined restricted period, until which the shares issued by Pou Sheng are placed in an escrow account and Pou Sheng's consent is required for any withdrawal. The valuation technique adopted is Binomial Option Pricing Model whereby the key inputs to the valuation model include the share price of Pou Sheng's share at date of valuation, risk free rate, expected volatility, expected life of the guaranteed compensation and the expected dividend yield. The significant unobservable inputs in the valuation model include the expected volatility with reference to the historical price volatility and the expected dividend yield of Pou Sheng. Both inputs are positively related to the fair value of the consideration payable for acquisition of business. If any of the unobservable inputs above were 5% higher/lower while all the other variables were held constant, the changes in fair value of the consideration payable for acquisition of business would not be significant.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

notes: (continued)

(iv) (continued)

The fair value of the guaranteed compensation as at December 31, 2014 and June 30, 2015 is determined by APAC Asset Valuation and Consulting Limited ("APAC Asset Valuation") using the Binomial Option Pricing Model.

The key inputs into the model are set out below:

| | At June 30, 2015 | At December 31, 2014 |
|---|------------------------|----------------------------|
| Share price of Pou Sheng's share at date of valuation | HK\$0.90 | HK\$0.74 |
| Exercise price per share | HK\$4.00 | HK\$4.00 |
| Risk free rate | 0.19% | 0.58% |
| Expected volatility | 55% | 47% |
| Expected life of the guaranteed compensation | 1.39 years | 1.89 years |
| Expected dividend yield | Nil | Nil |

The following table presents the reconciliation of Level 3 fair value measurements of the Group's financial instruments for the six months ended June 30, 2015 and 2014.

| | Consideration payable for acquisition of business <i>US\$'000</i> |
|--|---|
| <i>For the six months ended June 30, 2015</i> | |
| At January 1, 2015 (audited) | 16,436 |
| Fair value changes, recognised in profit or loss | (637) |
| Exchange realignment | 9 |
| | <hr/> |
| At June 30, 2015 (unaudited) | 15,808 |
| | <hr/> <hr/> |
| <i>For the six months ended June 30, 2014</i> | |
| At January 1, 2014 (audited) | 18,016 |
| Fair value changes, recognised in profit or loss | (562) |
| Exchange realignment | 7 |
| | <hr/> |
| At June 30, 2014 (unaudited) | 17,461 |
| | <hr/> <hr/> |

There were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial instruments or any reclassification of financial instruments in any of the period ended June 30, 2015 or June 30, 2014.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated interim financial information approximate their fair values.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

17. CONTINGENCIES AND COMMITMENTS

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

(I) Contingencies

| | At June 30, 2015 (unaudited) <i>US\$'000</i> | At December 31, 2014 (audited) <i>US\$'000</i> |
|--|---|---|
| Guarantees given to banks in respect of banking facilities granted to: | | |
| (i) joint ventures | | |
| – amount guaranteed | 59,175 | 66,099 |
| – amount utilised | 30,265 | 41,335 |
| (ii) associates | | |
| – amount guaranteed | 56,542 | 34,502 |
| – amount utilised | 2,995 | 2,217 |
| | <u> </u> | <u> </u> |

(II) Commitments

| | At June 30, 2015 (unaudited) <i>US\$'000</i> | At December 31, 2014 (audited) <i>US\$'000</i> |
|--|---|---|
| Capital expenditure contracted for but not provided in the condensed consolidated interim financial information in respect of: | | |
| – construction of buildings | 22,855 | 58,492 |
| – acquisition of property, plant and equipment | 17,493 | 10,265 |
| | <u> </u> | <u> </u> |
| | <u>40,348</u> | <u>68,757</u> |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18. SHARE AWARD SCHEMES

(I) Share Award Scheme of the Company

The share award scheme was adopted by the Company on January 28, 2014. Movement in the number of awarded shares outstanding is as follows:

| | Number of awarded shares | |
|-----------------|--------------------------|------------------|
| | 2015 | 2014 |
| As at January 1 | 1,485,000 | – |
| Granted | – | 1,530,000 |
| Forfeited | (45,000) | – |
| | <u>1,440,000</u> | <u>1,530,000</u> |
| As at June 30 | <u>1,440,000</u> | <u>1,530,000</u> |

A total of 2,730,000 ordinary share of the Company were held by the trustee of the share award scheme of the Company at June 30, 2015 (December 31, 2014: 2,730,000 ordinary shares).

During the six months ended June 30, 2014, 1,530,000 ordinary shares of the Company have been acquired at an aggregate cost of HK\$39,470,000 (equivalent to approximately US\$5,088,000).

(II) Share Award Scheme of Pou Sheng

The share award scheme was adopted by Pou Sheng on May 9, 2014. Movement in the number of awarded shares outstanding is as follows:

| | Number of awarded shares | |
|-----------------|--------------------------|----------|
| | 2015 | 2014 |
| As at January 1 | 11,500,000 | – |
| Granted | 8,900,000 | – |
| Forfeited | (1,492,000) | – |
| | <u>18,908,000</u> | <u>–</u> |
| As at June 30 | <u>18,908,000</u> | <u>–</u> |



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18. SHARE AWARD SCHEMES (continued)

(II) Share Award Scheme of Pou Sheng (continued)

The directors of Pou Sheng approved on March 20, 2015 to grant an aggregate of 8,900,000 awarded shares to certain employees of the Pou Sheng Group pursuant to the share award scheme. The fair values of the share awards as at the date of grant, determined by APAC Asset Valuation using the Black-Scholes Option Pricing Model, amounted to HK\$3,293,000 (equivalent to approximately US\$425,000). The key inputs into the Black-Scholes Option Pricing Model are as follows:

| | |
|--|----------------|
| Date of grant | March 21, 2015 |
| Closing share price at the date of grant | HK\$0.53 |
| Annual risk free rate | 0.731% |
| Expected volatility | 48% |
| Vesting period | 3 years |
| Expected dividend yield | Nil |

The closing price of the Pou Sheng's shares immediately before the grant of the share awards on March 21, 2015 was HK\$0.53 per share.

During the six months ended June 30, 2015, 20,000,000 ordinary shares of Pou Sheng have been acquired at an aggregate cost of HK\$12,656,000 (equivalent to approximately US\$1,633,000). A total of 40,000,000 ordinary shares of Pou Sheng were held by the trustee of the share award scheme of Pou Sheng at June 30, 2015 (December 31, 2014: 20,000,000 ordinary shares).



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended June 30, 2015, the Group recorded revenue of US\$4,245.4 million, representing growth of 7.4% compared to the same period revenue in 2014 of US\$3,951.3 million. Net profit attributable to owners of the Company increased by 107.3% to US\$210.3 million compared to US\$101.4 million recorded in the same period in 2014. Basic earnings per share for half year 2015 increased by 107.6% to US12.77 cents compared to US6.15 cents of the same period in 2014.

RECURRING OPERATING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the six months ended June 30, 2015, excluding all items non-recurring operating in nature, the recurring operating profit amounted to US\$208.8 million, representing a decrease of 4.3% compared to the recurring operating profit of US\$218.1 million in the same period in 2014. During the half year 2015, a non-recurring operating gain totaling US\$1.5 million was recognized, of which included US\$12.2 million of gain due to fair value changes on derivative financial instruments but offset by impairment losses. For the six month period ended June 30, 2014, net profit attributable to owners of the Company included a non-recurring operating loss of US\$116.7 million which included a US\$90 million provision for the increased contributions to social insurance benefit and housing provident fund (collectively the "Employee Benefit Payments") for employees in the People's Republic of China (the "PRC"), as well as US\$25.2 million of loss due to fair value changes on derivative financial instruments.

OPERATIONS

General Overview

The Group is involved in two businesses. Firstly it manufactures footwear, focusing on the athletic and functional casual categories, for international brand name companies. Secondly, it owns a retail network in the Greater China region that sells international brand name functional footwear and apparel either directly to consumers or to sub-distributors on a wholesale basis.

The manufacturing business is managed with the following guidelines. Firstly the business is viewed as a partnership with the brand name customers so that the Group's operations are run on the basis that facilitates long term cooperation. The business unit is operated to provide strong support to the customer so that the customer is able to apply its resources principally to marketing activities. Finally, the Group gives choices to the brand name customers with respect to the management of input costs and provides diversification of operations that assist in the customers' risk management.

For a better understanding of the business model of the retail business, please refer to the interim report of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company.

Total Revenue by Product Category

The revenue for footwear manufacturing activity for the Group grew in the first half of 2015 compared to the revenue recorded in the first half of 2014. Most of the increase is due to a higher average selling price along with a slight increase in volume of shoes sold. As part of normal operations the Group develops new approaches to improve factory productivity and supply chain efficiency for the benefit of the Group and its customers. During the six months under review, the breakdown of the Group's shoe production volume by location is as follows: 25% in the PRC, 42% in Vietnam, 32% in Indonesia and 1% in others.



OPERATIONS (continued)

Total Revenue by Product Category (continued)

When reviewing total revenue by product category, athletic shoes accounted for 47.2% of revenue, and casual/outdoor shoes 15.9%. When considering only footwear manufacturing revenue, then athletic shoes are the principal category representing 73.4% of footwear manufacturing revenue. Correspondingly casual/outdoor shoes represented 24.7% of footwear manufacturing revenue. The Group together with the brand name customers provide a wide range of footwear that vary in design, functionalities, and price points. Due to this business strategy, the Group is able to achieve economies of scale and expertise in manufacturing to meet the different demands and interests of the brand name customers.

Retail sales arise mostly from the retail operations in the PRC involving the sales of various international brand sportswear products including footwear, apparel and accessories to consumers through either our directly operated retail outlets, or to the retail outlets of our sub-distributors. The revenue in retail sales for the Group increased in 2015 when compared to the amount recorded in the first half of 2014. As at June 30, 2015, the Group had 4,586 directly operated retail outlets and 2,691 sub-distributors' retail outlets. The operating environment for the Group's retail business has seen gradual improvement year on year compared to year 2014.

| Total Revenue by Product Category | For the six months ended June 30, | | | | |
|---|-----------------------------------|--------------|----------------|--------------|------------|
| | 2015 | | 2014 | | % change |
| | US\$ millions | % | US\$ millions | % | |
| Athletic Shoes | 2,005.4 | 47.2 | 1,921.1 | 48.6 | 4.4 |
| Casual/Outdoor Shoes | 675.5 | 15.9 | 703.9 | 17.8 | (4.0) |
| Sports Sandals | 52.5 | 1.3 | 49.8 | 1.3 | 5.4 |
| Retail Sales – Shoes, Apparel & Leasing | 1,186.3 | 27.9 | 963.2 | 24.4 | 23.2 |
| Soles, Components & Others | 325.7 | 7.7 | 313.3 | 7.9 | 4.0 |
| Total Revenue | 4,245.4 | 100.0 | 3,951.3 | 100.0 | 7.4 |

Production Review

During the six months under review, the Group produced a total of 159.1 million pairs of shoes, compared to 158.0 million pairs produced in the same period in 2014. The average selling price for shoes was US\$17.18 per pair for the six months ended June 30, 2015 compared to US\$16.93 during the six month period ended June 30, 2014.

Cost Review

With respect to the footwear manufacturing operations, sales for the half year amounted to US\$3.1 billion (2014: US\$3.0 billion), whereas the direct labor costs were US\$0.5 billion (2014: US\$0.5 billion). Total main material costs were US\$1.3 billion (2014: US\$1.3 billion) and total production overhead amounted to US\$0.6 billion (2014: US\$0.6 billion).

With respect to Pou Sheng, sales for the half year amounted to US\$1.2 billion (2014: US\$1.0 billion). Retail stock costs were US\$0.8 billion (2014: US\$0.7 billion). Pou Sheng's current business focus is on the retail sales of functional apparel and footwear.



OPERATIONS (continued)

Cost Review (continued)

For the Group, selling and distribution expenses for the half year were US\$383.6 million (2014: US\$319.7 million), equivalent to approximately 9.0% (2014: 8.1%) of revenue. The increase in selling and distribution expenses was attributable mainly to increased number of directly operated stores for Pou Sheng. Administrative expenses for the half year were US\$325.0 million (2014: US\$298.7 million), equivalent to approximately 7.7% (2014: 7.6%) of revenue. The increase in administrative expenses was attributable mainly to increase in salary and employee welfare expenses. Due to the continuing trend of rising prices for both the manufacturing and retail businesses, cost management is a high priority for the managements of both business units.

Other expenses fell by 53.4% to US\$92.6 million for the six months ended June 30, 2015, compared to last year's figure of US\$ 198.8 million. In the interim results for 2014, other expenses included a US\$90 million provision for the Employee Benefit Payments for employees in the PRC.

For the six months ended June 30, 2015, the Group recorded a gain of US\$12.2 million due to fair value changes on derivative financial instruments. In the first half of 2014, the Group recorded a loss of US\$25.2 million due to fair value changes on derivative financial instruments attributable to the volatility and depreciation of Renminbi ("RMB") during the period.

Product Development

During the half year under review, the Group spent US\$75.4 million (2014: US\$86.5 million) in product development. The product development expenses included items such as sample development, preparation work for the technical development package, and production efficiency enhancement. For each of the major brand name customers that has a research/development team, a corresponding independent product development center has been established within the Group to collaborate with that particular research/development team. Besides this product development work, the Group also works with its customers to seek improvements in production lead times and develop new techniques to produce high-quality footwear.

FINANCIAL REVIEW

Liquidity

The Group's financial position was solid. As at June 30, 2015, the Group had cash and cash equivalents of US\$993.0 million (December 31, 2014: US\$971.3 million) and total borrowings of US\$883.9 million (December 31, 2014: US\$949.3 million). The gearing ratio (total borrowings to total equity) was 18.2% (December 31, 2014: 19.9%) and the Group had net cash of US\$109.1 million (December 31, 2014: US\$22.0 million). The net cash position reflects the Group's financial strengths and robust business operations.

During the current interim period, the Group obtained new bank borrowings of approximately US\$750.2 million (2014: US\$732.8 million). The proceeds of the new bank borrowings were used to repay existing bank borrowings and to finance the daily operation of the Group. Among these bank borrowings, the variable-rate borrowings bear interest at a premium over London Interbank Offered Rate, Hong Kong Interbank Offered Rate and the prevailing lending rate quoted by the People's Bank of China, as appropriate.



FINANCIAL REVIEW (continued)

Capital Expenditure

During the six months under review, the capital expenditure of the Group amounted to US\$207.6 million (2014: US\$135.1 million), of which the Group spent approximately US\$70 million on new factory buildings and ancillary facilities, mainly in Indonesia, Myanmar and Vietnam, and approximately another US\$115 million on machinery, fixtures and leasehold improvements.

The capital expenditure for fiscal 2015 will be funded mainly by internal resources.

Contingent Liabilities

The Group had provided guarantees to banks in respect of banking facilities granted to joint ventures and associates. The details of which can be seen in note 17 of the notes to the condensed consolidated interim financial information.

Significant Investments Held and Performance

The details of the investments in associates and joint ventures, available-for-sale investments and investments held for trading have been disclosed in notes 19, 21, 25 and 26 of the 2014 annual report. During the current period, proceeds of US\$18.8 million and US\$5.9 million were received from disposal of certain joint ventures and available-for-sale investments.

Interim Dividends

An interim dividend of HK\$0.40 per share (2014: HK\$0.35 per share) has been declared, and is in accordance with the Group's history of steady dividends.

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.

Foreign Exchange Exposure

For the footwear manufacturing for international brands, all revenues are denominated in US dollars. The majority of material and component costs are also paid for in US dollars. Expenses incurred locally are paid for in the local currency i.e. wages, utilities and local regulatory fees. RMB exposure is partly hedged with forward contracts and structured contracts.

For the retail business in the PRC, all revenues are denominated in RMB. Correspondingly all expenses are denominated in RMB. For the retail business outside the PRC, both revenues and expenses are denominated in the local currencies.

Goodwill and Intangible Assets

The Group has goodwill and intangible assets recorded in its condensed consolidated statement of financial position due to acquisitions of businesses in the retail and manufacturing industries.

Employees

As at June 30, 2015, the Group had about 406,000 staff employed across the regions globally. The Group adopts a remuneration system based on an employee's performance throughout the period, and offers equal opportunities to all staff.



PROSPECTS

The operating environment for the manufacturing business continues to be challenging, particularly in the PRC. In response, the Group will continue to invest in supply chain integration and manufacturing excellence programs to improve quality and efficiency in production. The Group will also increase investment, among others, in new technologies and innovative materials to further enhance our capabilities to be a strategic solution provider to brand customers. Another important task at hand is to continue to implement the geographic mix of production capacity plan in line with the progress of ongoing manufacturing excellence projects and value added services provided to brand customers in different countries. The Group is focused on upgrading its capabilities to offer more valuable manufacturing and supply chain solutions to our brand customers, particularly in the PRC where the Group can further leverage the potential synergies between the footwear manufacturing and retail businesses.

The outlook for the retail business is positive as consumers in the PRC are being made more aware of the benefits of physical activity in maintaining good health, while consumer incomes are rising allowing for more consumption of sportswear. Given the ten years plan of the State Council of China for the sports industry and the greater appreciation of the importance of personal fitness, the consumers in the PRC will be interested in purchasing more sportswear over time. In addition, sporting events and marketing activities of the brands should be able to foster sales growth for the sportswear products in the PRC. The Group's retail business will continue to refine and implement its offline and online sales channel and store opening strategies, as well as inventory management, so as to capture the expected industry growth and achieve in the medium to long term a sustainable level of profit.



OTHER INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the "Board") is pleased to declare an interim dividend of HK\$0.40 per share for the six months ended June 30, 2015 to shareholders whose names appear on the Register of Members on Thursday, September 24, 2015. The interim dividend will be paid on Tuesday, October 6, 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, September 22, 2015 to Thursday, September 24, 2015, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, September 21, 2015.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at June 30, 2015, the interests or short positions of the Company's directors, chief executives and their associates in the shares and/or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

(a) Ordinary shares of HK\$0.25 each in the Company

Long Position

| Name of director | Capacity | Number of shares held | Percentage of the issued share capital of the Company (Note 5) |
|-------------------------|---------------------------------|-----------------------|---|
| Lu Chin Chu | Beneficial owner (Note 1) | 45,000 | 0.00% |
| Tsai Pei Chun, Patty | Beneficiary of a trust (Note 2) | 101,126,262 | 6.13% |
| Lin Cheng-Tien (Note 3) | Beneficial owner (Note 1) | 45,000 | 0.00% |
| Lee Shao Wu | Beneficial owner (Note 1) | 45,000 | 0.00% |
| Hu Chia-Ho (Note 4) | Beneficial owner (Note 1) | 45,000 | 0.00% |
| Liu George Hong-Chih | Beneficial owner (Note 1) | 45,000 | 0.00% |



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES (continued)

(b) Ordinary shares of HK\$0.01 each in Pou Sheng

Long Position

| Name of director | Capacity | Number of shares held | Percentage of the issued share capital of Pou Sheng (Note 6) |
|----------------------|--------------------------------------|-----------------------|---|
| Tsai Pei Chun, Patty | Beneficial owner | 19,523,000 | 0.36% |
| Chan Lu Min | Beneficial owner | 851,250 | 0.02% |
| Liu George Hong-Chih | Interest of child under 18 or spouse | 350,000 | 0.01% |

Notes:

1. Each of Mr. Lu Chin Chu, Mr. Lin Cheng-Tien, Mr. Lee Shao Wu, Mr. Hu Chia-Ho and Mr. Liu George Hong-Chih is interested in 45,000 ordinary shares, which were granted by the Company with vesting conditions pursuant to the share award scheme of the Company adopted on January 28, 2014.
2. Ms. Tsai Pei Chun, Patty is deemed to be interested in 101,126,262 ordinary shares by virtue of her capacity as a beneficiary of a discretionary trust.
3. Mr. Lin Cheng-Tien was appointed as an executive director of the Company on March 20, 2015.
4. Mr. Hu Chia-Ho was appointed as an executive director of the Company on March 20, 2015.
5. The total issued share capital of the Company as at June 30, 2015 is 1,648,928,486 shares.
6. The total issued share capital of Pou Sheng as at June 30, 2015 is 5,378,908,615 shares.

Other than the interests disclosed above, none of the directors nor the chief executives of the Company nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at June 30, 2015.

SHARE INCENTIVE SCHEMES

(a) Share Option Scheme of the Company

The Company recognises the importance of attracting talents and retaining employees by providing them with incentives and rewards through granting share-based incentives. The Company believes that this will align their interests with that of the Company. In this connection, the Company has adopted a share option scheme, the details of which are stipulated as follows:

On February 27, 2009, the Company adopted a share option scheme (the "Yue Yuen Share Option Scheme") under which the Board may at its discretion grant any eligible participants share options, as it may determine appropriate. The Yue Yuen Share Option Scheme is valid and effective for a period of ten years commencing on February 27, 2009, after which no further options will be offered or granted.

As at the date of this report, the total number of shares available for issue under the Yue Yuen Share Option Scheme is 164,892,848 shares, representing approximately 10% of the issued share capital of the Company as at the date of this report.

No share option was granted under the Yue Yuen Share Option Scheme since its adoption.



SHARE INCENTIVE SCHEMES (continued)

(b) Share Award Scheme of the Company

On January 28, 2014, the Company adopted a share award scheme (the “Yue Yuen Share Award Scheme”) to recognise the contributions by certain personnel of the Group (and/or any company in which the Group may have an investment and any company which is a controlling shareholder of the Company including subsidiaries of such controlling shareholder) and to attract suitable personnel for further development of the Group. Under the Yue Yuen Share Award Scheme, the Board may at its discretion grant any eligible participants awarded shares as it may determine appropriate provided that the total number of awarded shares shall not exceed 2% of the issued share capital of the Company as at the date of grant. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the issued share capital of the Company from time to time. Subject to early termination determined by the Board, the Yue Yuen Share Award Scheme is valid and effective for a period of ten years commencing on January 28, 2014, after which no further contribution to the trust fund will be made by the Company.

Eligible participant(s) selected by the Board for participation in the Yue Yuen Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Yue Yuen Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

Details of the awards, including the number of shares which were awarded according to the terms of the Yue Yuen Share Award Scheme during the period ended June 30, 2015, are set out below:

| | Date of grant | Vesting date | Number of awarded shares | | | | Balance as at June 30, 2015 |
|---------------------------------|---------------|--------------|-------------------------------|------------------------------------|---------------------------|-------------------------------------|-----------------------------|
| | | | Balance as at January 1, 2015 | Reclassification during the period | Granted during the period | Lapsed/ Cancelled during the period | |
| Directors of the Company | | | | | | | |
| Lu Chin Chu | 27.03.2014 | 27.03.2016 | 45,000 | - | - | - | 45,000 |
| Lin Cheng-Tien (Note 1) | 27.03.2014 | 27.03.2016 | - | 45,000 | - | - | 45,000 |
| Lee Shao Wu | 27.03.2014 | 27.03.2016 | 45,000 | - | - | - | 45,000 |
| Hu Chia-Ho (Note 2) | 27.03.2014 | 27.03.2016 | - | 45,000 | - | - | 45,000 |
| Liu George Hong-Chih | 27.03.2014 | 27.03.2016 | 45,000 | - | - | - | 45,000 |
| Sub-total | | | 135,000 | 90,000 | - | - | 225,000 |
| Employees of the Company | | | | | | | |
| | 27.03.2014 | 27.03.2016 | 1,327,500 | (90,000) | - | (45,000) | 1,192,500 |
| | 29.05.2014 | 29.05.2016 | 22,500 | - | - | - | 22,500 |
| Sub-total | | | 1,350,000 | (90,000) | - | (45,000) | 1,215,000 |
| Total | | | 1,485,000 | - | - | (45,000) | 1,440,000 |

Notes:

1. Mr. Lin Cheng-Tien was appointed as an executive director of the Company on March 20, 2015.
2. Mr. Hu Chia-Ho was appointed as an executive director of the Company on March 20, 2015.

During the six months ended June 30, 2015, the Group recognised a total expense of US\$861,000 as the equity-settled share-based payment in relation to the share awards granted under the Yue Yuen Share Award Scheme.



SHARE INCENTIVE SCHEMES (continued)

(c) Share Option Scheme of Pou Sheng

Pou Sheng recognizes the importance of offering incentives and rewards through the grant of share-based incentive mechanism for attracting talents and retaining employees. Pou Sheng believes that this will align their interest with that of Pou Sheng.

On May 14, 2008, Pou Sheng adopted a share option scheme under which the board of Pou Sheng (the “Pou Sheng Board”) may at its discretion grant any participant share options, as it may determine appropriate. The Pou Sheng share option scheme is valid and effective for a period of ten years commencing on May 14, 2008, after which no further share options may be offered or granted.

In order to provide greater flexibility to the Pou Sheng Board in the treatment of outstanding share options held by the grantees in the event that they cease to become a participant, certain terms of the Pou Sheng share option scheme were amended on March 7, 2012 (the “Pou Sheng Share Option Scheme”) as approved by the shareholders of Pou Sheng and the Company. The terms are amended so that in the event a grantee of a share option, who is an employee or a director of Pou Sheng or any of its subsidiaries (Pou Sheng and its subsidiaries are collectively referred to as the “Pou Sheng Group”), ceases to be a participant under the Pou Sheng Share Option Scheme by any reason other than death or termination of his employment on grounds of summary dismissal, the Pou Sheng Board may by written notice to such grantee within one month from (and including) the date of cessation or termination of such employment or directorship determine whether such share option shall lapse or the period within which such share option (or such remaining part thereof) shall be exercisable following such date of cessation or termination of employment or directorship but before the expiry of the original share option period and if the Pou Sheng Board does not serve such written notice within such one month period, the grantee may exercise the outstanding share options up to his entitlement as at the time of such cessation or termination of employment or directorship (to the extent not already exercised) at any time during the original share option period.

No Pou Sheng share options were granted, exercised, lapsed or cancelled under the Pou Sheng Share Option Scheme during the six months ended June 30, 2015. As at the date of this report, the total number of shares available for issue under the Pou Sheng Share Option Scheme is 330,405,000 shares, representing approximately 6.14% of the total number of issued shares of Pou Sheng. As at June 30, 2015, an aggregate of 55,012,000 shares are issuable for share options granted (including 54,637,000 fully-vested shares options) under the Pou Sheng Share Option Scheme, representing approximately 1.02% of the total number of issued shares of Pou Sheng.

During the six months ended June 30, 2015, the Group recognised a total expense of US\$13,000 in relation to share options granted by Pou Sheng under the Pou Sheng Share Option Scheme.



SHARE INCENTIVE SCHEMES (continued)

(c) Share Option Scheme of Pou Sheng (continued)

Pursuant to the Pou Sheng Share Option Scheme, movements in share options during the period under review were listed below:

| Date of grant | Exercise price HK\$ | Vesting date | Exercisable period | Number of share options | | | | |
|---|------------------------|--------------|-----------------------|-------------------------------|---------------------------|-----------------------------|------------------------------------|-----------------------------|
| | | | | Balance as at January 1, 2015 | Granted during the period | Exercised during the period | Lapsed/cancelled during the period | Balance as at June 30, 2015 |
| Employees/Consultants of Pou Sheng | | | | | | | | |
| 21.01.2010 | 1.62 | 21.01.2011 | 21.01.2011–20.01.2018 | 2,500,950 | – | – | – | 2,500,950 |
| | | 21.01.2012 | 21.01.2012–20.01.2018 | 2,500,950 | – | – | – | 2,500,950 |
| | | 21.01.2013 | 21.01.2013–20.01.2018 | 5,001,900 | – | – | – | 5,001,900 |
| | | 21.01.2014 | 21.01.2014–20.01.2018 | 6,669,200 | – | – | – | 6,669,200 |
| 20.01.2011 | 1.23 | 20.01.2012 | 20.01.2012–19.01.2019 | 4,800,000 | – | – | – | 4,800,000 |
| | | 20.01.2013 | 20.01.2013–19.01.2019 | 4,800,000 | – | – | – | 4,800,000 |
| | | 20.01.2014 | 20.01.2014–19.01.2019 | 4,800,000 | – | – | – | 4,800,000 |
| | | 20.01.2015 | 20.01.2015–19.01.2019 | 4,800,000 | – | – | – | 4,800,000 |
| 07.03.2012 | 1.05 | 07.03.2013 | 07.03.2013–06.03.2020 | 375,000 | – | – | – | 375,000 |
| | | 07.03.2014 | 07.03.2014–06.03.2020 | 375,000 | – | – | – | 375,000 |
| | | 07.03.2015 | 07.03.2015–06.03.2020 | 375,000 | – | – | – | 375,000 |
| | | 07.03.2016 | 07.03.2016–06.03.2020 | 375,000 | – | – | – | 375,000 |
| Sub-total | | | | 37,373,000 | – | – | – | 37,373,000 |
| Former Employees of Pou Sheng | | | | | | | | |
| 21.01.2010 | 1.62 | 21.01.2011 | 21.01.2011–20.01.2018 | 1,999,500 | – | – | – | 1,999,500 |
| | | 21.01.2012 | 21.01.2012–20.01.2018 | 1,999,500 | – | – | – | 1,999,500 |
| | | 21.01.2013 | 21.01.2013–20.01.2018 | 1,788,000 | – | – | – | 1,788,000 |
| | | 21.01.2014 | 21.01.2014–20.01.2018 | 652,000 | – | – | – | 652,000 |
| 20.01.2011 | 1.23 | 20.01.2012 | 20.01.2012–19.01.2019 | 6,937,500 | – | – | – | 6,937,500 |
| | | 20.01.2013 | 20.01.2013–19.01.2019 | 3,187,500 | – | – | – | 3,187,500 |
| | | 20.01.2014 | 20.01.2014–19.01.2019 | 700,000 | – | – | – | 700,000 |
| | | 20.01.2015 | 20.01.2015–19.01.2019 | – | – | – | – | – |
| 07.03.2012 | 1.05 | 07.03.2013 | 07.03.2013–06.03.2020 | 375,000 | – | – | – | 375,000 |
| | | 07.03.2014 | 07.03.2014–06.03.2020 | – | – | – | – | – |
| | | 07.03.2015 | 07.03.2015–06.03.2020 | – | – | – | – | – |
| | | 07.03.2016 | 07.03.2016–06.03.2020 | – | – | – | – | – |
| Sub-total | | | | 17,639,000 | – | – | – | 17,639,000 |
| Total | | | | 55,012,000 | – | – | – | 55,012,000 |



SHARE INCENTIVE SCHEMES (continued)

(d) Share Award Scheme of Pou Sheng

On May 9, 2014, Pou Sheng adopted a share award scheme (the "Pou Sheng Share Award Scheme") for recognising the contributions by certain persons, including directors of Pou Sheng and employees of the Pou Sheng Group, providing incentives to retain them for the continual operation and development of the Pou Sheng Group, and to attract suitable personnel for further development of the Pou Sheng Group. The scheme shall be valid and effective for a term of ten years commencing on May 9, 2014. Any proposed award must be recommended by the remuneration committee of Pou Sheng and approved by the Pou Sheng Board.

The total number of shares to be awarded under the Pou Sheng Share Award Scheme shall not exceed 2% of the issued share capital of Pou Sheng as at the date of grant. The maximum number of shares which may be awarded to a selected participant (including vested and non-vested shares) shall not exceed 1% of the issued share capital of Pou Sheng from time to time.

Eligible participant(s) selected by the Pou Sheng Board for participation in the Pou Sheng Share Award Scheme shall have no right to any dividend held under the trust which shall form part of the residual cash or any of the returned shares. The trustee of the Pou Sheng Share Award Scheme shall not exercise the voting rights in respect of any shares held under the trust (including but not limited to the awarded shares, the returned shares, any bonus shares and scrip shares).

Pursuant to the Pou Sheng Share Award Scheme, movements in awarded shares during the period were listed below:

| | Date of grant | Vesting date | Number of awarded shares | | | | Balance as at June 30, 2015 |
|-------------------------------|---------------|--------------|-------------------------------|---------------------------|--------------------------|------------------------------------|-----------------------------|
| | | | Balance as at January 1, 2015 | Granted during the period | Vested during the period | Lapsed/cancelled during the period | |
| Director of Pou Sheng | | | | | | | |
| Kwan, Heh-Der | 01.09.2014 | 01.09.2017 | 1,200,000 | – | – | – | 1,200,000 |
| Sub-total | | | 1,200,000 | – | – | – | 1,200,000 |
| Employees of Pou Sheng | | | | | | | |
| | 01.09.2014 | 01.09.2017 | 10,300,000 | – | – | (1,400,000) | 8,900,000 |
| | 21.03.2015 | 21.03.2018 | – | 8,900,000 | – | (92,000) | 8,808,000 |
| Sub-total | | | 10,300,000 | 8,900,000 | – | (1,492,000) | 17,708,000 |
| Total | | | 11,500,000 | 8,900,000 | – | (1,492,000) | 18,908,000 |

During the six months ended June 30, 2015, the Group recognized US\$134,000 as equity-settled share-based payments in the condensed consolidated income statement under the Pou Sheng Share Award Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the "Share Incentive Schemes" above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO shows that, as at June 30, 2015, other than the interests disclosed in “Directors’ and Chief Executives’ Interests in Securities”, the following shareholders had notified the Company of their relevant interests in shares representing 5% or more of the issued share capital of the Company.

Ordinary shares of HK\$0.25 each in the Company

Long position

| Name of shareholder | Notes | Number of ordinary shares beneficially held | Percentage of the issued share capital of the Company* |
|---|-------|---|--|
| Pou Chen Corporation (“PCC”) | (a) | 824,143,835 | 49.98% |
| Wealthplus Holdings Limited (“Wealthplus”) | (a) | 773,156,303 | 46.89% |
| Mr. Tsai Chi Jui | (b) | 115,321,998 | 6.99% |
| Ms. Tsai Huang Shu Man | (b) | 115,321,998 | 6.99% |
| Royal Bank of Canada Trust Company (Cayman) Limited | (c) | 101,126,262 | 6.13% |
| Accord Management Limited | (d) | 101,126,262 | 6.13% |
| Mr. Tsai Chi Neng | (e) | 101,126,262 | 6.13% |
| Mr. Tsai Nai Fung | (e) | 101,126,262 | 6.13% |
| Ms. Tsai Hsu Li Min | (e) | 101,126,262 | 6.13% |
| Ms. Tsai Hsu Shu Chun | (e) | 101,126,262 | 6.13% |
| Merrill Lynch & Co. Inc. | (f) | 99,315,703 | 6.02% |

Short Position

| | | | |
|--------------------------|-----|-------------|-------|
| Merrill Lynch & Co. Inc. | (f) | 109,341,792 | 6.63% |
|--------------------------|-----|-------------|-------|

* The total issued share capital of the Company as at June 30, 2015 is 1,648,928,486 shares.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS (continued)

Ordinary shares of HK\$0.25 each in the Company (continued)

Notes:

- (a) Of the 824,143,835 ordinary shares beneficially owned by PCC, 773,156,303 ordinary shares were held by Wealthplus and 50,987,532 ordinary shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. Lu Chin Chu and Mr. Chan Lu Min, who are directors of the Company, are also directors of PCC. Ms. Tsai Pei Chun, Patty, Mr. Chan Lu Min, Mr. Kuo Tai Yu (who are directors of the Company) and Mr. Kung Sung Yen (who was a director of the Company up to March 6, 2015) are directors of Wealthplus. Mr. Chan Lu Min is a director of Win Fortune.
- (b) Mr. Tsai Chi Jui, the father of Ms. Tsai Pei Chun, Patty, is deemed to be interested in (i) 101,126,262 ordinary shares held by six discretionary trusts by virtue of his capacity as a founder of such discretionary trusts and (ii) 13,875,736 ordinary shares held directly by Moby Dick Enterprises Limited ("Moby Dick") by virtue of his interest in more than one-third of the voting shares of Moby Dick. Moby Dick is wholly-owned by Max Creation Industrial Limited, which is in turn 56.068% owned by World Future Investments Limited, which is in turn wholly-owned by Mr. Tsai Chi Jui. Mr. Tsai Chi Jui holds 320,000 ordinary shares directly. Ms. Tsai Huang Shu Man, being the spouse of Mr. Tsai Chi Jui, is deemed to be interested in the 115,321,998 ordinary shares in which Mr. Tsai Chi Jui is interested by virtue of the SFO.
- (c) Royal Bank of Canada Trust Company (Cayman) Limited is deemed to be interested in 101,126,262 ordinary shares held by six discretionary trusts by virtue of its capacity as a trustee of the six discretionary trusts.
- (d) Accord Management Limited is wholly-owned by Royal Bank of Canada Trust Company (Cayman) Limited. Accord Management Limited is deemed to be interested in 80,494,822 ordinary shares held directly by Quicksilver Profits Limited ("Quicksilver") and 20,631,440 ordinary shares held directly by Red Hot Investments Limited ("Red Hot") by virtue of its interest in more than one-third of the voting shares in Quicksilver and Red Hot respectively.
- (e) Each of Mr. Tsai Chi Neng and Mr. Tsai Nai Fung is deemed to be interested in 101,126,262 ordinary shares by virtue of his capacity as a beneficiary of a discretionary trust. Each of Ms. Tsai Hsu Li Min, being the spouse of Mr. Tsai Chi Neng, and Ms. Tsai Hsu Shu Chun, being the spouse of Mr. Tsai Nai Fung, is deemed to be interested in the 101,126,262 ordinary shares in which each of Mr. Tsai Chi Neng and Mr. Tsai Nai Fung is interested by virtue of the SFO.
- (f) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 ordinary shares (long position) held directly by Merrill Lynch Portfolio Managers Limited (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch Portfolio Managers Limited. Merrill Lynch Portfolio Managers Limited is wholly-owned by ML Invest, Inc., which is in turn wholly-owned by Merrill Lynch Group, Inc., which is in turn wholly-owned by Merrill Lynch & Co. Inc..

Merrill Lynch & Co. Inc. is also deemed to be interested in 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc. (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Blackrock, Inc.. Merrill Lynch & Co. Inc. owns 49.8% of Blackrock, Inc. through various subsidiaries, namely, Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P. and Fund Asset Management, L.P., which are all 99% owned by Merrill Lynch & Co. Inc. except for Princeton Services, Inc., which is wholly-owned by Merrill Lynch Group, Inc.. Merrill Lynch Group, Inc., which is wholly-owned by Merrill Lynch & Co. Inc., is also deemed to be indirectly interested in the 5,985,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position) held directly by Blackrock, Inc..

In light of the above, Merrill Lynch & Co. Inc. is deemed to be interested in an aggregate of 6,020,785 ordinary shares (long position) and 2,620,000 ordinary shares (short position).

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 ordinary shares (long position) and 106,721,792 ordinary shares (short position) held directly by Merrill Lynch International under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch International. Merrill Lynch & Co. Inc. holds Merrill Lynch International through six wholly-owned subsidiaries namely, Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited and ML UK Capital Holdings. ML UK Capital Holdings is wholly-owned by Merrill Lynch Holdings Limited, which is in turn wholly-owned by Merrill Lynch Europe Intermediate Holdings, which is in turn wholly-owned by Merrill Lynch Europe Plc, which is in turn wholly-owned by Merrill Lynch International Holdings Inc., which is in turn wholly-owned by Merrill Lynch International Incorporated, which is in turn wholly-owned by Merrill Lynch & Co. Inc.. Merrill Lynch International is 97.2% owned by ML UK Capital Holdings. The above have been prepared based on the disclosure of interest form filed with the Company.

Other than the interests disclosed above, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares of the Company as at June 30, 2015.



UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the Company's 2014 annual report on March 20, 2015 are set out below:

Mr. Lin Cheng-Tien was appointed as an executive director of the Company on March 20, 2015 with remuneration of HK\$720,000 per annum.

Mr. Hu Chia-Ho was appointed as an executive director of the Company on March 20, 2015 with remuneration of HK\$480,000 per annum.

Mr. Liu George Hong-Chih resigned as a non-executive director and member of the audit committee of Symphony Holdings Limited on June 1, 2015.

The remuneration package of Mr. Lee Shao Wu, an executive director of the Company, has been changed from HK\$1,040,000.00 per annum payable by the Company to HK\$630,000.00 per annum payable by The Look (Macao Commercial Offshore) Company Limited, one of the subsidiaries of the Company, with effect from June 1, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company 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 interim financial information.

The external auditor has reviewed the interim financial information for the six months ended June 30, 2015 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices by emphasizing transparency, accountability and responsibility to the Company's shareholders. During the six months ended June 30, 2015, the Company has applied the principles of and has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The general framework of the Company's corporate governance practices is set out in the corporate governance report in the Company's 2014 annual report, which is available on the Company's website.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 for the six months ended June 30, 2015.



SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained sufficient public float throughout the six month period ended June 30, 2015.

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 report, the directors of the Company are:

Executive Directors:

Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Kuo Tai Yu, Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Lee Shao Wu, Mr. Tsai Ming-Lun, Ming, Mr. Hu Chia-Ho and Mr. Liu George Hong-Chih.

Independent Non-executive Directors:

Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Hsieh Yung Hsiang (also known as Alfred Hsieh).

By Order of the Board
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

Hong Kong, August 13, 2015

Website: www.yueyuen.com





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