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

(Incorporated in Bermuda with limited liability)

(Stock Code: 551)

FINAL RESULTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 2009

GROUP FINANCIAL HIGHLIGHTS

- Turnover in 2009 increased by 2.0% to US$5,016.9 million compared with US$4,919.9 million in 2008.

- Profit attributable to equity holders of the Company for the fiscal year 2009 decreased by 0.9% to US$464.7 million compared with US$468.7 million in 2008.

- EPS in 2009 decreased by 0.1% to US$0.2815 from US$0.2817 in 2008.

- The Directors have resolved to recommend the payment of a final dividend of HK$0.55 per share, compared to HK$0.55 per share in 2008. (Interim dividend of HK$0.34 per share in 2009 and HK$0.34 per share in 2008.)

- Total production volume in 2009 decreased by 3.5% to 246.2 million pairs from 255.1 million pairs in 2008.

* *For identification purposes only*

RESULTS

The Directors of Yue Yuen Industrial (Holdings) Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30th September, 2009 with comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30th September, 2009

	NOTES	**2009** *US$'000*	**2008** *US$'000*
Turnover	*2*	5,016,902	4,919,937
Cost of sales		(3,734,456)	(3,729,539)
Gross profit		1,282,446	1,190,398
Other income		158,003	170,733
Net gain on deemed disposal of partial interest of subsidiaries	*3*	–	123,459
Fair value changes on investment properties		(7,193)	2,477
Fair value changes on derivative financial instruments		25,117	(25,221)
Impairment loss recognised on available-for-sale investments		(8,527)	(23,264)
Selling and distribution expenses		(390,914)	(344,486)
Administrative expenses		(426,806)	(404,550)
Other expenses		(165,022)	(176,255)
Equity-settled share-based payments of a listed subsidiary		(12,521)	(706)
Impairment loss on investments in jointly controlled entities		(9,294)	–
Finance costs		(52,360)	(63,696)
Share of results of associates		41,365	37,199
Share of results of jointly controlled entities		35,799	29,341
Profit before taxation		470,093	515,429
Income tax expense	*4*	(8,131)	(24,685)
Profit for the year	*5*	461,962	490,744
Attributable to:			
Equity holders of the Company		464,730	468,664
Minority interests		(2,768)	22,080
		461,962	490,744
Dividends	*6*	189,294	185,481
Earnings per share	*7*		
– Basic		28.15 US cents	28.17 US cents
– Diluted		24.88 US cents	27.07 US cents

CONSOLIDATED BALANCE SHEET

As at 30th September, 2009

	NOTES	2009 US$'000	2008 US$'000 (restated)
Non-current assets			
Investment properties		59,103	66,296
Property, plant and equipment		1,592,418	1,536,824
Deposits paid for acquisition of property, plant and equipment		4,436	22,447
Prepaid lease payments		168,040	133,853
Intangible assets		73,756	–
Goodwill		218,607	193,086
Investments in associates		335,076	310,717
Amounts due from associates		10,728	10,335
Investments in jointly controlled entities		316,607	319,370
Amounts due from jointly controlled entities		159,739	136,238
Available-for-sale investments		15,481	29,218
Rental deposits and prepayment		29,455	35,408
Derivative financial instruments		55,321	59,744
Deferred tax assets		1,252	1,908
		3,040,019	2,855,444
Current assets			
Inventories		668,356	728,522
Trade and other receivables	8	792,771	897,503
Prepaid lease payments		3,806	2,659
Taxation recoverable		4,510	3,451
Derivative financial instruments		13,950	14,568
Deposits placed with a financial institution		–	24,000
Structured bank deposit		39,824	–
Pledged bank deposits		–	2,337
Bank balances and cash		1,195,566	440,191
		2,718,783	2,113,231
Current liabilities			
Trade and other payables	9	758,256	637,749
Taxation payable		16,965	11,514
Derivative financial instruments		11,302	41,632
Short-term bank borrowings		570,201	344,278
Convertible bonds		271,337	262,131
Bank overdrafts		–	188
		1,628,061	1,297,492
Net current assets		1,090,722	815,739
Total assets less current liabilities		4,130,741	3,671,183

	NOTES	2009 US$'000	2008 US$'000 (restated)
Non-current liabilities			
Convertible bonds		–	255,479
Long-term bank borrowings		680,207	296,014
Deferred taxation		29,154	11,141
		709,361	562,634
Net assets		3,421,380	3,108,549
Capital and reserves			
Share capital		53,211	53,682
Reserves		2,984,016	2,726,215
Equity attributable to equity holders of the Company		3,037,227	2,779,897
Other reserve of a listed subsidiary		–	706
Minority interests		384,153	327,946
Total equity		3,421,380	3,108,549

Notes:

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from customers

In addition, the Group has already early adopted the amendments to HKAS 1 issued by HKICPA in 2008 as part of the Improvements to HKFRSs. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies described as below:

As part of Improvements to HKFRSs (2008), HKAS 1 "Presentation of Financial Statements" has been amended to clarify whether derivatives that are classified as held for trading in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" should be presented as current or non-current. The amendment requires derivative financial instruments that are held primarily for trading purposes to be presented as current regardless of their maturity dates. In addition, the amendment requires derivatives that are not held for trading purposes to be classified as current or non-current on the basis of their expected settlement dates. Prior to the amendment, the Group presented the derivative financial instruments for acquisition of additional interests in subsidiaries, associates and jointly controlled entities (the "JV Call Options") as current. The amendment shall be applied retrospectively and has resulted in these derivative financial instruments with an aggregate carrying amount of approximately US$59,744,000 as at 30th September, 2008 being reclassified from current to non-current. The amendment has had no impact on the Group's results for the reported periods.

The adoption of other new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)[1A]	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[5]
HKAS 32 (Amendment)	Classification of Rights Issues[6]

HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[5]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[7]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[7]
HKFRS 3 (Revised)	Business Combinations[5]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[9]

1 Effective for annual periods beginning on or after 1st January, 2009 except for HKFRS 5, which is effective for annual periods beginning on or after 1st July, 2009

1A Except for the amendment to HKAS 1, which has been early adopted during the year

2 Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January 2010, as appropriate

3 Effective for annual periods beginning on or after 1st January, 2009

4 Effective for annual periods beginning on or after 1st January, 2011

5 Effective for annual periods beginning on or after 1st July, 2009

6 Effective for annual periods beginning on or after 1st February, 2010

7 Effective for annual periods beginning on or after 1st January, 2010

8 Effective for annual periods beginning on or after 1st January, 2013

9 Effective for annual periods beginning on or after 1st July, 2010

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition dates are on or after 1st October, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to HKFRSs (2009), HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1st January, 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated balance sheet. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on how the results and financial position of the Group are prepared.

2. TURNOVER AND SEGMENTAL INFORMATION

Turnover mainly represents revenue arising on sales of athletic footwear, athletic style leisure footwear, casual and outdoor footwear.

Geographical segments

The Group reports its primary segment information on geographical market based on location of its customers, irrespective of the origin of the goods. An analysis of the Group's turnover and results by geographical segments, is presented below:

For the year ended 30th September, 2009

	United States of America	Europe	The People's Republic of China ("PRC")	Rest of Asia	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER	1,534,083	1,117,945	1,422,020	554,632	388,222	5,016,902
RESULTS						
Segment results	208,834	152,195	71,791	65,022	52,692	550,534
Unallocated income						140,026
Unallocated expenses						(232,853)
Fair value changes on investment properties						(7,193)
Fair value changes on derivative financial instruments						25,117
Impairment loss recognised on available-for-sale investments						(8,527)
Equity-settled share-based payments of a listed subsidiary						(12,521)
Impairment loss on investments in jointly controlled entities						(9,294)
Finance costs						(52,360)
Share of results of associates						41,365
Share of results of jointly controlled entities						35,799
Profit before taxation						470,093
Income tax expense						(8,131)
Profit for the year						461,962

For the year ended 30th September, 2008

	United States of America	Europe	PRC	Rest of Asia	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
TURNOVER	1,521,839	1,160,147	1,262,867	614,082	361,002	4,919,937
RESULTS						
Segment results	151,902	116,081	124,251	49,876	36,020	478,130
Unallocated income						144,949
Unallocated expenses						(187,239)
Net gain on deemed disposal of partial interest of subsidiaries						123,459
Fair value changes on investment properties						2,477
Fair value changes on derivative financial instruments						(25,221)
Impairment loss recognised on available-for-sale investments						(23,264)
Equity-settled share-based payments of a listed subsidiary						(706)
Finance costs						(63,696)
Share of results of associates						37,199
Share of results of jointly controlled entities						29,341
Profit before taxation						515,429
Income tax expense						(24,685)
Profit for the year						490,744

Business segments

For management purposes, the Group is currently organised into two divisions in (i) manufacturing and sales of footwear products and (ii) retailing business. These divisions are the basis on which the Group reports its secondary segment information.

The following table provides an analysis of the Group's revenues, analysed by the business segment.

	Revenue	
	2009	**2008**
	US$'000	*US$'000*
Manufacture and sale of footwear products	3,995,119	4,068,224
Retailing business	1,015,539	848,991
Others	6,244	2,722
	5,016,902	4,919,937

3. NET GAIN ON DEEMED DISPOSAL OF PARTIAL INTEREST OF SUBSIDIARIES

During the year ended 30th September, 2008, the Group restructured and injected its retailing, distribution and property management business ("Retail Operations") into Pou Sheng International Holdings Limited ("Pou Sheng"). Upon completion of the restructuring, the carrying amounts of the net assets of the Retail Operations attributable to the Group's interests remained the same. The shares of Pou Sheng were subsequently listed on the Stock Exchange (the "Spin-off").

Pou Sheng then issued a total of 840,937,000 new shares of par value HK$0.01 each pursuant to the global public offering of its shares in the Spin-off at an issue price of HK$3.05 per share for an aggregate consideration of approximately US$328,921,000, before expenses of approximately US$12,507,000. In addition, Pou Sheng also issued shares as payment for the JV Call Options and upon acquisition of additional interests in subsidiaries. Upon the completion of the above transactions, the Group's interest in Pou Sheng was reduced from 75.5% to 55.7% and the Group recognised a net gain on deemed disposal of approximately US$123,459,000 during the year ended 30 September, 2008, representing the increase in the consolidated net assets of Pou Sheng attributable to the Group's interest therein.

4. INCOME TAX EXPENSE

	2009	**2008**
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current Tax		
Hong Kong Profits Tax *(note i)*		
– current year	399	783
– overprovision in prior years	–	(3)
PRC Enterprise Income Tax ("EIT") *(note ii)*		
– current year	4,007	20,287
– under(over)provision in prior years	220	(3,032)
Other jurisdictions *(note iii)*		
– current year	5,538	5,567
	10,164	23,602
Deferred tax (credit) charge	(2,033)	1,083
	8,131	24,685

notes:

(i) Hong Kong

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

From March 2004 to March 2008, the Hong Kong Inland Revenue Department (the "HKIRD") issued protective profits tax assessments of approximately HK$1,051,943,000 (equivalent to approximately US$135,742,000) in aggregate relating to the years of assessment 1997/98 to 2001/02, that is, for the financial years ended 30th September, 1997 to 2001, against certain wholly-owned subsidiaries of the Company. The Group lodged objections with the HKIRD against the protective assessments. The HKIRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing tax reserve certificates (the "TRC") of HK$314,526,000 (equivalent to approximately US$40,586,000) for those five years of assessment. These TRC were purchased.

In March 2009, the HKIRD further issued protective profits tax assessments of approximately HK$236,777,000 (equivalent to approximately US$30,553,000) relating to the year of assessment 2002/2003, that is, for the financial year ended 30th September, 2002. The Group lodged objections with the HKIRD against these protective assessments. The HKIRD agreed to hold over the tax claim subject to the purchasing of TRC of HK$118,389,000 (equivalent to approximately US$15,277,000). The Group has not purchased these TRC and, in May 2009, filed an application to High Court for a judicial review on the protective assessments and holdover notices relating to the years of assessment 1997/1998 to 2002/2003. The directors of the Company consider that the judicial review is in the best interest of the Group.

In the opinion of the directors, the subsidiaries involved did not carry on any business and derived no profit in or from Hong Kong. The subsidiaries which carry on business in Hong Kong only provided limited administrative services and have already paid Hong Kong Profits Tax. Having taken advice from the Company's legal adviser, the directors of the Company believe that no profits tax is in fact payable by the Group for these years of assessment or for any other years and no provision for Hong Kong Profits Tax in respect of the protective assessments is considered necessary.

The Group has been advised that it has a good case to argue that the tax claimed is not in fact payable. Nevertheless, the directors are also considering various approaches in the best interest of the Group to resolve the dispute with the HKIRD. If the above dispute is not resolved and the courts subsequently uphold the assessments against the certain members of the Group, this may affect the Group's financial conditions and results of its operations.

(ii) PRC

Up to 31st December, 2007, PRC EIT was calculated based on the statutory rate of 33% of the assessable profit for those subsidiaries established in the PRC. Subsequent to 31st December, 2007, PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rate 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 are 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. The tax holidays and concessions expire between 2008 and 2010.

(b) Pursuant to《國家稅務局關於落實西部大開發有關稅收政策具體實施意見的通知》 and the relevant state policy and with approval from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in specific encouraged industries are subject to a preferential tax rate of 15% during the period from 2001 to 2010.

(c) Pursuant to Income Tax Law of the PRC, Yue Sheng (Kunshan) Sports Goods Company Limited ("Yue Sheng (Kunshan)"), a subsidiary of the Company operating in an approved economic and technology development zone of the PRC, was entitled to a preferential income tax rate of 15% and was exempted from 3% local income tax, when the annual revenue from manufacturing business amounted to over 50% of its total revenue in fiscal year. Yue Sheng (Kunshan) ceased its manufacturing business during the year. For the year ended 30th September, 2009 a statutory rate of 25% is used in the calculation of PRC EIT.

According to the Circular of the State Council on the Implementation of Transitional Preferential Policies for Enterprises Income Tax (Guofa [2007] No. 39), the tax holiday and concession from EIT entitled as set out in (a) above is still applicable until the end of the five year transitional period under the Law of the PRC on Enterprise Income Tax (the "New Law"). The preferential treatment set out in (b) above will continue on the implementation of the New Law.

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

(iii) Other jurisdictions

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

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

5. PROFIT FOR THE YEAR

	2009	2008
	US$'000	*US$'000*
Profit for the year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	981,510	997,094
– retirement benefit scheme contributions	21,707	16,865
– share based payment	12,521	706
	1,015,738	1,014,665
Release of prepaid lease payments	4,080	3,246
Allowance for inventories	9,795	2,776
Auditors' remuneration	1,957	1,686
Amortisation of intangible assets	1,152	–
Depreciation of property, plant and equipment	174,360	153,401
Loss on disposal of property, plant and equipment	10,312	11,106
Loss on disposal of associates	1,044	572
Loss on deregistration of a jointly controlled entity	1,521	590
Impairment loss on trade receivables	316	1,711
Impairment loss on amount due from a jointly controlled entity	–	10,000
Research and development expenditure (included in other expense)	115,546	130,210
Share of taxation of associates (included in share of results of associates)	3,779	4,670
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	9,661	9,049
Listing expense on the Spin-off	–	6,631
and after crediting other income:		
Interest income	8,957	15,015
Discount on acquisition of additional interest in a subsidiary	4,776	–
Dividend income from listed available-for-sale investments	237	911
Net exchange gain	8,550	29,601
Write back of impairment loss on trade receivables	1,595	1,591
Gain on disposal of prepaid lease payments	5,830	–
Cash discounts from suppliers	17,977	25,784
Utility income from provision of electricity and water supply	6,003	10,338
Subcontracting income	44,049	23,070
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$125,000 (2008: US$110,000)	8,017	6,426

note: For the years ended 30th September, 2009 and 2008, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

6. DIVIDENDS

	2009	2008
	US$'000	*US$'000*
Dividends recognised as distribution during the year:		
2009 Interim dividend of HK$0.34 per share (2008: 2008 Interim dividend of HK$0.34 per share)	72,337	72,447
2008 Final dividend of HK$0.55 per share (2008: 2007 Final dividend of HK$0.53 per share)	116,957	113,034
	189,294	185,481

The directors recommend the payment of a final dividend of HK$0.55 per share for the year ended 30th September, 2009. The proposed dividend of approximately HK$906,911,000 will be paid on or about 12th March, 2010 to those shareholders whose names appear on the Company's register of members on 3rd March, 2010.

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

7. EARNINGS PER SHARE

(i) Earnings per share – financial reporting

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	2009	2008
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to equity holders of the Company for the purpose of basic earnings per share	464,730	468,664
Effect of dilutive potential ordinary shares:		
Fair value changes on derivatives embedded in convertible bonds *(note a)*	(28,995)	–
Finance costs on convertible bonds *(note a)*	17,872	11,339
Profit for the year attributable to equity holders of the Company for the purpose of diluted earnings per share	453,607	480,003

	2009	2008
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	1,651,143,630	1,663,628,986
Effect of dilutive potential ordinary shares:		
USD Call Option	78,504,672	44,091,665
Convertible bonds *(note a)*	93,634,233	65,741,545
Number of ordinary shares for the purpose of diluted earnings per share	1,823,282,535	1,773,462,196

(ii) Earning per share – management reporting

Other earnings per share based on a component of profit for the year which is used by the Board of Directors of the Company for its financial management purposes are as follows:

	2009	2008
Basic	28.17 US cents	23.58 US cents
Diluted	26.49 US cents	22.76 US cents

The calculation of these other basic and diluted earnings per share for the year is based on the following data, which are determined by the directors:

	2009 *US$'000*	**2008** *US$'000*
Earnings:		
Profit for the year attributable to equity holders of the Company	464,730	468,664
Adjusted for (after minority interest):		
Net gain on deemed disposal of partial interest of subsidiaries	–	(123,459)
Fair value changes on investment properties	5,395	(1,858)
Fair value changes on derivative financial instruments	(27,047)	25,221
Equity-settled share-based payments of a listed subsidiary	7,028	393
Impairment loss on investments in jointly controlled entities	6,442	–
Impairment loss recognised on available-for-sale investments	8,527	23,264
Adjusted profit for the year attributable to equity holder of the Company for the purpose of other basic earnings per share	465,075	392,225
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds *(note a)*	17,872	11,339
Adjusted profit for the year attributable to equity holders of the Company for the purpose of other diluted earnings per share	482,947	403,564

	2009	**2008**
Number of shares:		
Number of ordinary shares for the purpose of other basic earnings per share	1,651,143,630	1,663,628,986
Effect of dilutive potential ordinary shares:		
USD Call Option	78,504,672	44,091,665
Convertible bonds *(note a)*	93,634,233	65,741,545
Number of ordinary shares for the purpose of other diluted earnings per share	1,823,282,535	1,773,462,196

notes:

(a) The computation of diluted earnings per share for the year ended 30th September, 2008 does not assume the conversion of the Company's outstanding convertible bonds – Zero Coupon Convertible Bonds due 2011 since their exercise would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the year ended 30th September, 2009 does not assume the exercise of Pou Sheng's outstanding subscription rights under the Pre-IPO share subscription plan as the subscription price of those Plan Shares are higher than the average market price of Pou Sheng for the year prior to its termination on 4th September, 2009.

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period ranging from 30 days to 90 days which are agreed with each of its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts of US$491,561,000 (2008: US$588,599,000) and an aged analysis is as follows:

	2009	**2008**
	US$'000	*US$'000*
0 to 30 days	381,314	423,127
31 to 90 days	101,244	154,528
Over 90 days	9,003	10,944
	491,561	588,599

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$349,415,000 (2008: US$341,041,000) and an aged analysis is as follows:

	2009	**2008**
	US$'000	*US$'000*
0 to 30 days	272,993	243,536
31 to 90 days	64,251	74,054
Over 90 days	12,171	23,451
	349,415	341,041

10. CONTINGENCIES

At the balance sheet date, the Group had contingent liabilities as follows:

		2009	**2008**
		US$'000	*US$'000*
Guarantee given to banks in respect of banking facilities granted to			
(i)	jointly controlled entities		
	– amount guaranteed	119,798	150,269
	– amount utilised	72,871	103,959
(ii)	associates		
	– amount guaranteed	31,269	18,918
	– amount utilised	19,477	10,205

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26th February, 2010 to 3rd March, 2010, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 25th February, 2010 in order to establish the identity of the shareholders who are entitled to attend and vote at the annual general meeting of the company and qualify for the final dividend mentioned above.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Results

For the year ended 30th September, 2009, total turnover rose 2.0% year on year to approximately US$5,016.9 million, and net profit attributable to equity holders of the Company decreased by 0.9% year on year to approximately US$464.7 million. Basic earnings per share was similar to last year's figure at US$28.15 cents. Excluding non-recurring operating items, recurrent net profit attributable to equity holders increased 18.6% year on year to approximately US$465.1 million.

Operations

Footwear manufacturing activity for the Group was similar to last year's level, with turnover from the key product category, athletic shoes declining slightly by 2.6%. There was a moderate reduction in the total number of shoes produced by the Group to 246.2 million pairs, representing a minute decline of 3.5% compared with the previous year. This drop was principally due to more cautious batch order sizes from existing customers. During the year under review, the Group reduced the number of production lines by a small number, with the allocation of lines among the three production bases (mainland China, Vietnam and Indonesia), leaving the total number of lines at 423.

Total Turnover by Product Category

For the year ended 30th September

	2009		**2008**		y-o-y
	US$ millions	*%*	*US$ millions*	*%*	*% change*
Athletic Shoes	**2,709.7**	**54.0**	2,781.4	56.5	(2.6)
Casual/Outdoor Shoes	**781.8**	**15.6**	711.6	14.5	9.9
Sports Sandals	**71.8**	**1.4**	59.0	1.2	21.7
Soles & Components	**390.0**	**7.8**	466.9	9.5	(16.5)
Retail Sales					
– Shoes & Apparel	**1,015.5**	**20.2**	849.0	17.3	19.6
Others	**48.1**	**1.0**	52.0	1.0	(7.5)
Total Turnover	**5,016.9**	**100.0**	4,919.9	100.0	2.0

Retail sales of the Group grew by 19.6% year-on-year to US$1,015.5 million, supported by the continuing strength of consumer spending in the Greater China Region. The total number of directly operated counters/stores in China under the Group stood at about 4,583 by the end of September 2009. In addition, there were approximately 1,245 distributors in the Greater China region for the Group's wholesale operations for the two licensee brands.

Total Turnover by Geographical Market

For the year ended 30th September

	2009		**2008**		y-o-y
	US$ millions	*%*	*US$ millions*	*%*	*% change*
U.S.A.	**1,534.1**	**30.6**	1,521.8	30.9	0.8
Canada	**81.5**	**1.6**	73.7	1.5	10.6
Europe	**1,117.9**	**22.3**	1,160.1	23.6	(3.6)
South America	**174.0**	**3.5**	163.5	3.3	6.4
Asia	**1,976.7**	**39.4**	1,876.9	38.2	5.3
Other Areas	**132.7**	**2.6**	123.9	2.5	7.1
Total Turnover	**5,016.9**	**100.0**	4,919.9	100.0	2.0

From a geographic view, sales to the U.S.A. were surprisingly resilient given the drastic slowdown in economic activity for that region. Regions that in previous years exhibited high sales growth were also affected by the global economic slowdown. The sluggish sales growth rate for the Asia region also encompasses the moderation of retail sales growth for the Greater China Region. The sales growth rate for South America fell to mid-single digit compared to the rate in previous years of high double digits.

Although the slowdown in the global economy has affected demand at all levels, the Group has continued to maintain its standing on the back of: 1) its strength in manufacturing activities; 2) the ongoing consolidation in the manufacturing industry; and 3) its broad based retail and wholesale operations in the Greater China region. Many of the associate companies and jointly controlled entities have been successful in their efforts to restructure their operations so that their profit contributions were higher this period compared to last year.

Financial Review

Liquidity

The Group's financial position remained stable. As at 30th September, 2009, the Group had cash and cash equivalents of US$1,196 million (2008: US$ 464 million) and total borrowings of US$ 1,522 million (2008: US$ 1,158 million). The gearing ratio (total borrowings to total equity) was 44 % (2008: 37%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 10% (2008: 22%). The decrease in the net debt to equity ratio was due to better management of inventories and accounts receivable.

Capital expenditure

Capital expenditure declined to US$ 260.6 million (2008: US$ 385.4 million), as the focused on improving operating efficiency and production techniques. The Group spent about US$ 79.5 million on constructing new factory buildings and ancillary facilities, mainly in Indonesia and mainland China. Meanwhile, US$130.5 million went into plant and equipment and leasehold improvements for production facility expansion, and US$ 50.6 million was spent on acquiring new land and buildings.

Dividends

A final dividend of HK$0.55 per share (2008: HK$0.55) has been recommended, making the full-year dividend per share HK$0.89 (2008: HK$0.89).

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 each year remains intact. The dividend payout ratio for 2009 is 41%, which is higher than 40% in 2008.

Looking Forward

Turnover declined in the first quarter of fiscal year 2010 due to the exceptionally strong order flow for the same period last year. For the three months ended December 2009, the Group turnover declined by 3.4% year-on-year to approximately US$1,312.8 million.

On the manufacturing side, the Group expects order flow from its brand name customers to be stable for the rest of the financial year. When looking at research on consumer spending, it appears that consumers still have a strong desire to purchase athletic or casual shoes. With World Cup South Africa taking place in June and July of this year, consumers of athletic footwear and apparel may be reinvigorated. Historically leading athletic brand names have been able to attract attention to their apparel and footwear goods during major sports competitions.

Input cost pressures continue to exist as commodity prices and minimum wages for factory workers across Asia, trend upwards. Governments in the developed world want the PRC government to allow its currency, the Renminbi, to appreciate further. Since July 2005, the Renminbi has appreciated by 21%. Further appreciation of the currency will hurt export related manufacturing in the PRC.

Turnover from the China wholesale and retail sales operations will grow at a steady rate, as management has spent the past year fine tuning operating efficiency and refining its relationships with the various regional joint venture partners operating throughout China. The Group owns one of largest distribution networks of athletic apparel and footwear in the mainland, selling both international athletic brands as well as local brands. The Group's network encompasses around 10,000 points of sale across China and is also a valuable platform that can help other international brand names sell their apparel or footwear to consumers in China.

Global demand for athletic footwear is likely to strengthen in the coming year given the improving economic outlook and sports events like World Cup South Africa. Sales of sportswear products in China will continue to benefit from the strong economic growth in China and the trend of growing consumer interest in athletic apparel and footwear.

Being a manufacturer in the shoe manufacturing industry is challenging. Major brand name customers prefer to give their orders to factories that have a sound financial position. Major brand name customers also require these factories to make a commitment to recycle, reuse or reduce waste emissions to protect the environment. These factories are also expected to meet Corporate Social Responsibility ("CSR") needs. The Group has a dedicated department of experienced individuals to address CSR and environment issues with its brand name customers at all the different factory locations across Asia. With respect to banking activities, it is observed that banks prefer to lend to large factories instead of small and medium size ones.

"We will continue to play a leading role in the global supply chain for the athletic and casual footwear industry. The Group will continue to be a leader in the Greater China Region for the retail distribution of athletic footwear and apparel," said Mr. Tsai Chi Neng, Chairman of the Group.

Corporate Social Responsibility

Being committed to observe Corporate Social Responsibility (CSR) is a key part of the Group's operating strategy. During the year various CSR programs were implemented by the Group. Leading corporations of the 21st century should view their CSR programs as a commitment to meet public expectations. The Group has a CSR division with teams at every factory across Asia, to ensure CSR programs are carried out properly and to act as the point of contact with the CSR divisions of the brand name customers. These teams consist of experienced individuals with skills in the all different aspects of manufacturing. These teams are able to design CSR programs that will consider the interests of all the various stakeholders in the factories. In many instances the CSR divisions of the Group and the brand name customer work together to ensure industry best-practices are followed. This joint commitment to ensure the effective performance of CSR programs creates a closer bond between the Group and the brand name customers. Many sophisticated institutional investors target to invest only in companies that give consideration to CSR within their operations and are willing to implement programs that uphold good CSR standards.

When performing CSR programs the Group focuses on achieving certain goals. 1) Factory workers should be fairly treated and their rights respected. The Group considers not only the situation facing workers within the Group but also the circumstances for workers in joint ventures and sub-contractor factories working for the Group. The aspiration is that any factory staff performing duties for the Group will receive fair treatment. 2) Factory Workers should be hired under proper contract terms and receive appropriate wages. Again this goal applies not only to factories in the Group but also to those within joint ventures or doing subcontracting work for the Group. The Group hires staff by agreeing on work employment contracts at market competitive rates with the view of pursuing a long term relationship with the worker. 3) Pollution from operations should be reduced where ever possible. Pollution is an issue for society at large. The Group continuously looks at ways to reduce, reuse or recycle waste emissions to protect the environment. 4) Techniques that lead to a reduction in energy consumption should be adopted as much as possible. The Group continuously looks for new approaches to save energy including the use of solar power when possible. There are occasions when the Group has worked closely with its key brand name customers, municipal and provincial governments to achieve these goals.

Sometimes there are enquiries received requesting a full audit of the factories and extensive disclosure of the Group's CSR practices. Whenever such demands involved the proprietary business practices or technology of the brand name customers, the Group carefully considered the sensitivities involved and where necessary sought permission from the brand name customer for the particular disclosures. Given the interdependency between the Group and the brand name customer, the Group always considers how CSR issues are also related to the brand name customer.

Whenever the Group builds new plant facilities, it considers ways to be environmentally friendly or to reduce energy consumption. In the past few years business strategy has led the Group to build new facilities in the inner provinces in China. The recently constructed building facility known as Yue Sheng in Shang Gao, Jiangxi incorporates the latest designs to reduce the energy consumed for heating and illumination as well as ventilation of the factory.

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

During the year, the Company repurchased 14,700,500 ordinary shares in the Company through the Stock Exchange for a consideration of HK$236,597,000 (equivalent to approximately US$30,366,000) pursuant to the general mandate granted to the directors of the Company at its annual general meeting. The highest and lowest prices paid for the repurchased shares are HK$17.46 and HK$13.88, respectively. The repurchase were effected by the directors for the enhancement of shareholders' value.

The shares were cancelled upon repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company has applied the principles and has complied with the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules throughout the year ended 30th September, 2009, with deviations from Code provision A.4.1.

The Company has not yet adopted Code provision A.4.1. Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The non-executive directors (including independent non-executive directors) of the Company were not appointed for specific terms, but are subject to retirement by rotation in accordance with the Bye-laws of the Company. Since the non-executive directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the Company's 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 throughout the year ended 30th September, 2009.

AUDIT COMMITTEE

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

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the Company's website (www.yueyuen.com) and the website of the Stock Exchange (www.hkex.com.hk). The annual report will be dispatched to the shareholders as soon as practicable and will be available on the websites of the Company and the Stock Exchange in due course.

ACKNOWLEDGMENT

We would like to take this opportunity to express our sincere appreciation for the continuous support of our customers, suppliers and shareholders. Also, without the commitment and dedicated services from our employees, we would not be able to achieve the level of growth we have recorded in the past, and to whom we extend our profound gratitude.

As at the date of this announcement, Mr. Tsai Chi Neng (Chairman), Mr. David N. F. Tsai (Managing Director), Mr. Kuo Tai Yu, Mr. Lu Chin Chu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Miss Tsai Pei Chun, Patty and Ms. Kuo Li-Lien are the Executive Directors, Mr. John J. D. Sy is the Non-executive Director, and Mr. So Kwan Lok, Dr. Liu Len Yu and Mr. Leung Yee Sik are the Independent Non-executive Directors.

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 20th January, 2010

website: www.yueyuen.com