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, 2010

GROUP FINANCIAL HIGHLIGHTS

- Turnover in 2010 increased by 15.4% to US$5,788.2 million compared with US$5,016.9 million in 2009.

- Profit attributable to owners of the Company for the fiscal year 2010 increased by 3.2% to US$479.5 million compared with US$464.7 million in 2009.

- EPS in 2010 increased by 3.3% to US29.08 cents from US28.15 cents in 2009.

- The Directors have resolved to recommend the payment of a final dividend of HK$0.56 per share, compared to HK$0.55 per share in 2009. (Interim dividend of HK$0.34 per share in 2010 and HK$0.34 per share in 2009.)

- Total production volume in 2010 increased by 16.3% to 286.4 million pairs from 246.2 million pairs in 2009.

* *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, 2010 with comparative figures for the corresponding period in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30th September, 2010

		2010	**2009**
	NOTES	*US$'000*	*US$'000*
Turnover	*2*	5,788,208	5,016,902
Cost of sales		(4,377,787)	(3,734,456)
Gross profit		1,410,421	1,282,446
Other income		124,802	158,003
Fair value changes on investment properties		643	(7,193)
Fair value changes on derivative financial instruments		(1,865)	25,117
Impairment loss on available-for-sale investments		(900)	(8,527)
Selling and distribution expenses		(440,646)	(390,914)
Administrative expenses		(454,229)	(439,327)
Other expenses		(166,410)	(165,022)
Impairment loss on investments in associates		(1,300)	–
Impairment loss on investments in jointly controlled entities		(1,700)	(9,294)
Finance costs		(40,422)	(52,360)
Share of results of associates		39,790	41,365
Share of results of jointly controlled entities		62,679	35,799
Profit before taxation		530,863	470,093
Income tax expense	*3*	(35,025)	(8,131)
Profit for the year	*4*	495,838	461,962
Attributable to:			
Owners of the Company		479,507	464,730
Non-controlling interests		16,331	(2,768)
		495,838	461,962
		US cents	*US cents*
Earnings per share	*6*		
– Basic		29.08	28.15
– Diluted		27.19	24.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th September, 2010

	2010	**2009**
	US$'000	*US$'000*
Profit for the year	495,838	461,962
Other comprehensive income (expense)		
Exchange difference arising on the translation of foreign operations	25,815	(2,099)
Gain on fair value changes of investments	4,516	2,125
Revaluation increase upon acquisition of a subsidiary	–	8,108
Other comprehensive income for the year	30,331	8,134
Total comprehensive income for the year	526,169	470,096
Total comprehensive income attributable to:		
Owners of the Company	504,306	469,566
Non-controlling interests	21,863	530
	526,169	470,096

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30th September, 2010

	NOTES	2010 US$'000	2009 US$'000
Non-current assets			
Investment properties		59,746	59,103
Property, plant and equipment		1,668,055	1,592,418
Deposits paid for acquisition of property, plant and equipment		4,704	4,436
Prepaid lease payments		182,494	168,040
Intangible assets		70,612	73,756
Goodwill		218,607	218,607
Investments in associates		349,796	335,076
Amounts due from associates		11,083	10,728
Investments in jointly controlled entities		341,698	316,607
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		19,223	–
Amounts due from jointly controlled entities		132,452	159,739
Long-term loan receivables		17,642	–
Available-for-sale investments		21,463	15,481
Rental deposits and prepayments		22,375	29,455
Derivative financial instruments		46,024	55,321
Deferred tax assets		2,293	1,252
		3,168,267	3,040,019
Current assets			
Inventories		776,139	668,356
Trade and other receivables	7	1,109,315	792,771
Prepaid lease payments		3,942	3,806
Taxation recoverable		2,692	4,510
Available-for-sale investments		8,227	–
Derivative financial instruments		34,407	13,950
Structured bank deposit		–	39,824
Bank balances and cash		622,333	1,195,566
		2,557,055	2,718,783
Current liabilities			
Trade and other payables	8	898,866	758,256
Taxation payable		16,078	16,965
Derivative financial instruments		27,041	11,302
Bank borrowings		226,318	570,201
Convertible bonds		–	271,337
		1,168,303	1,628,061
Net current assets		1,388,752	1,090,722
Total assets less current liabilities		4,557,019	4,130,741

	2010	2009
	US$'000	*US$'000*
Non-current liabilities		
Convertible bonds	268,649	–
Long-term bank borrowings	483,731	680,207
Deferred taxation	28,136	29,154
	780,516	709,361
Net assets	3,776,503	3,421,380
Capital and reserves		
Share capital	53,211	53,211
Reserves	3,317,845	2,984,016
Equity attributable to owners of the Company	3,371,056	3,037,227
Non-controlling interests	405,447	384,153
Total equity	3,776,503	3,421,380

Notes:

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

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

HKFRSs (Amendments)[1]	Improvements to HKFRSs 2008
HKFRSs (Amendments)[2]	Improvements to HKFRSs 2009
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK-Int 5	Presentation of Financial Statements – Classification by the Borrowers of a Term Loan that Contains a Repayment on Demand Clause
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

[1] Except for the amendment to HKAS 1, which was early adopted during the year ended 30th September, 2009.

[2] Except for the amendments that are effective for annual periods beginning on or after 1st January, 2010.

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 8 is a disclosure standard that has resulted in a change of the Group's reporting of segment information as compared with the segment reporting provided in prior years in accordance with HKAS 14 "Segment Reporting" (see note 2).

The Group applies HKFRS 3 (Revised 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st October, 2009.

As there was no transaction during the current year in which HKFRS 3 (Revised 2008) is applicable, the application of HKFRS 3 (Revised 2008) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised 2008) and the consequential amendments to the other HKFRSs are applicable.

The application of HKAS 27 (revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group. Specifically, HKAS 27 (revised 2008) has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (revised 2008) requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1st October, 2009 in accordance with the relevant transitional provisions. The application of HKAS 27 (revised 2008) has no material impact on the consolidated financial statements for the year ended 30th September, 2010.

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. Hong Kong Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 30th September, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of US$16,197,000 (2009: nil) have been classified from non-current liabilities to current liabilities. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years nor the financial position as at 30th September, 2009.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities.

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)	Improvements to HKFRSs 2009[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[2]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendments)	Classification of Rights Issues[5]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-times Adoptors[7]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[7]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Amendments that are effective for annual periods beginning on or after 1st January, 2010
[2] Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
[3] Effective for annual periods beginning on or after 1st January, 2012
[4] Effective for annual periods beginning on or after 1st January, 2011
[5] Effective for annual periods beginning on or after 1st February, 2010
[6] Effective for annual periods beginning on or after 1st July, 2010
[7] Effective for annual periods beginning on or after 1st July, 2011
[8] Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 "Financial Instruments" issued in November 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 (as revised in November 2010) adds the requirements for the financial liabilities and for derecognition. Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted. The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning on 1st October, 2013 and that the application of HKFRS 9 might have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

2. TURNOVER AND SEGMENTAL INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st October, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, being the board of directors of the Company, in order to allocate resources to segments and to assess their performance.

In contrast, the predecessor Standard (HKAS 14 "Segment Reporting") required an entity to identify two sets of segments (geographical and business) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers.

Information reported to the board of directors of the Company, for the purposes of resources allocation and performance assessment, 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").

Accordingly, the directors of the Company have determined the Group has one operating segment, as defined in HKFRS 8. The information regarding turnover derived from the principal businesses described above is reported below.

	2010	2009
	US$'000	*US$'000*
Turnover		
Manufacturing Business	4,593,188	3,995,119
Retailing Business	1,185,683	1,015,539
Other businesses	9,337	6,244
Total turnover	5,788,208	5,016,902

Revenue from major products

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

	2010	2009
	US$'000	*US$'000*
Athletic shoes	3,064,704	2,709,726
Casual/outdoor shoes	943,413	781,770
Sports sandals	64,217	71,771
Soles and components	477,191	390,029
Retails sales – shoes and apparel	1,185,683	1,015,539
Others	53,000	48,067
	5,788,208	5,016,902

Geographical information

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

	2010	2009
	US$'000	*US$'000*
USA	1,709,146	1,534,082
Europe	1,180,379	1,117,945
PRC	1,597,100	1,422,020
Others	1,301,583	942,855
	5,788,208	5,016,902

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

	2010	2009
	US$'000	*US$'000*
PRC	1,271,838	1,291,629
Vietnam	338,268	336,764
Indonesia	360,334	276,674
Others	37,546	22,141
	2,007,986	1,927,208

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

Information about major customers

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

	2010	2009
	US$'000	*US$'000*
Customer A	1,308,802	1,082,456
Customer B	943,077	884,373

3. INCOME TAX EXPENSE

	2010	2009
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax		
Hong Kong Profits Tax *(note i)*		
– current year	588	399
– prior years	22,176	–
PRC Enterprise Income Tax ("EIT") *(note ii)*		
– current year	9,681	4,007
– underprovision in prior years	561	220
Overseas taxation *(note iii)*		
– current year	3,932	5,538
– underprovision in prior years	146	–
	37,084	10,164
Deferred tax credit	(2,059)	(2,033)
	35,025	8,131

(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, in aggregate, of approximately HK$1,051,943,000 (equivalent to approximately US$135,742,000) relating to the years of assessment 1997/1998 to 2001/2002, 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 these protective assessments. The HKIRD agreed to hold over the tax claimed completely subject to the subsidiaries in question purchasing Tax Reserve Certificate ("TRC") of HK$314,526,000 (equivalent to approximately US$40,586,000) for those 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 claimed subject to the purchasing of TRC of HK$118,389,000 (equivalent to approximately US$15,277,000). The Group did not purchase these TRC and, in May 2009, filed an application to the High Court of Hong Kong for a judicial review on the protective assessments and holdover notices relating to the years of assessment 1997/1998 to 2002/2003.

In March 2010, the HKIRD further issued protective profits tax assessments of approximately HK$291,597,000 (equivalent to approximately US$37,563,000) relating to the year of assessment 2003/2004, that is, for the financial year ended 30th September, 2003. The Group again lodged objections with the HKIRD against these protective assessments. On 11th March, 2010, the judicial review was heard in the High Court. After the hearing, the High Court handed down the judgment, in which the judge made certain orders on the HKIRD.

In the opinion of the directors, the Group does not conduct any sales or manufacturing activities in Hong Kong, no Hong Kong Profits Tax should be payable by the aforesaid wholly-owned subsidiaries. Based on the assessment of the Group's legal adviser on the merit of the case, the directors believe that no Hong Kong Profits Tax is in fact payable by the aforesaid wholly-owned subsidiaries. However, in view of the risk associated with the legal proceeding, time and resources the Group has incurred in the case and for the future business development of the Group, the directors decided to take an alternative means other than court process, specifically a compromised settlement approach to resolve the dispute with the HKIRD. The directors believe that this is in the best interest of the Group.

Against this background and following subsequent negotiations with the HKIRD, a compromised settlement was reached with the HKIRD in early June 2010 at a sum of HK$172,570,000 (equivalent to approximately US$22,176,000) as a full and final settlement of the whole case for the years of assessment 1997/1998 to 2008/2009, that is, for the financial years ended 30th September, 1997 to 2008. This sum payable has been charged to the consolidated income statement for the year ended 30th September, 2010.

Upon the conclusion of the dispute with the HKIRD, an amount of HK$141,956,000 (equivalent to approximately US$18,410,000), representing the TRC previously purchased and after deducting the compromised settlement, was refunded during the year ended 30th September, 2010.

(ii) PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax 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 were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax concessions would expire between 2009 and 2012.

(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》, 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 specific encouraged industries 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.

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

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

(iii) Overseas

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

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

4. PROFIT FOR THE YEAR

	2010 *US$'000*	2009 *US$'000*
Profit for the year has been arrived at after charging:		
Employee benefit expense, including directors' emoluments		
– basic salaries and allowances	1,111,961	981,510
– retirement benefit scheme contributions	32,965	21,707
– share based payment	1,578	12,521
	1,146,504	1,015,738
Release of prepaid lease payments	5,385	4,080
Allowance for inventories	–	9,795
Auditor's remuneration	1,831	1,957
Amortisation of intangible assets	4,627	1,152
Depreciation of property, plant and equipment	179,018	174,360
Loss on disposal of property, plant and equipment	8,753	10,312
Loss on disposal of associates	–	1,044
Loss on disposal of jointly controlled entities	8,203	–
Loss on deemed disposal of partial interest in a jointly controlled entity	31	–
Loss on deregistration of an associate	36	–
Loss on deregistration of a jointly controlled entity	–	1,521
Impairment loss on trade receivables	422	316
Research and development expenditure (included in other expenses)	131,123	115,546
Share of taxation of associates (included in share of results of associates)	4,737	3,779
Share of taxation of jointly controlled entities (included in share of results of jointly controlled entities)	9,731	9,661
and after crediting to other income:		
Interest income	11,631	8,957
Discount on acquisition of additional interest in a jointly controlled entity	338	–
Discount on acquisition of additional interest in a subsidiary	–	4,776
Dividend income from available-for-sale investments	273	237
Net exchange gain	15,495	8,550
Write back of impairment loss on inventory	1,257	–
Write back of impairment loss on trade receivables	653	1,595
Gain on deemed disposal of a jointly controlled entity	1,267	–
Gain on deemed disposal of a subsidiary	85	–
Gain on deregistration of a subsidiary	125	–
Gain on disposal of land lease	4,931	5,830
Gain on disposal of available-for-sale investments	17	–
Gain on disposal of subsidiaries	1,776	–
Cash discounts from suppliers	21,529	17,977
Utility income from provision of electricity and water supply	8,384	6,003
Subcontracting income	8,082	44,049
Gross rental income on investment properties, before deduction of direct operating expenses of approximately US$199,000 (2009: US$125,000)	8,419	8,017

note: For the years ended 30th September, 2010 and 2009, cost of inventories recognised as an expense represents cost of sales as shown in the consolidated income statement.

5. DIVIDENDS

	2010 *US$'000*	2009 *US$'000*
Dividends recognised as distribution during the year:		
2010 Interim dividend of HK$0.34 per share (2009: 2009 Interim dividend of HK$0.34 per share)	71,993	72,337
2009 Final dividend of HK$0.55 per share (2009: 2008 Final dividend of HK$0.55 per share)	116,756	116,957
	188,749	189,294

The directors recommend the payment of a final dividend of HK$0.56 per share for the year ended 30th September, 2010. The proposed dividend of approximately HK$923,400,000 will be paid on or before 14th March, 2011 to those shareholders whose names appear on the Company's register of members on 4th March, 2011.

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

6. EARNINGS PER SHARE

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

	2010 *US$'000*	2009 *US$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	479,507	464,730
Effect of dilutive potential ordinary shares:		
Fair value changes on derivative embedded in convertible bonds	–	(28,995)
Finance costs on convertible bonds	–	17,872
Profit for the year attributable to owners of the Company for the purpose of diluted earnings per share	479,507	453,607

	2010	2009
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,648,928,486	1,651,143,630
Effect of dilutive potential ordinary shares:		
USD Call Option 2008	78,504,672	78,504,672
USD Call Option 2010	36,393,700	–
Convertible bonds	–	93,634,233
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,763,826,858	1,823,282,535

notes:

(a) The computation of diluted earnings per share for the year ended 30th September, 2010 does not assume the conversion of the Company's outstanding convertible bonds – CB2011 since their assumed exercise would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the year ended 30th September, 2010 does not assume the exercise of share options in Pou Sheng International (Holdings) Limited ("Pou Sheng") because the exercise price of those options was higher than the average market price of Pou Sheng for the year.

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

7. TRADE AND OTHER RECEIVABLES

The Group allows an 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$720,430,000 (2009: US$491,561,000) and an aged analysis based on invoice date at the end of the reporting period is as follows:

	2010	**2009**
	US$'000	*US$'000*
0 to 30 days	505,508	381,314
31 to 90 days	200,036	101,244
Over 90 days	14,886	9,003
	720,430	491,561

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$440,538,000 (2009: US$349,415,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	2010	**2009**
	US$'000	*US$'000*
0 to 30 days	331,718	272,993
31 to 90 days	87,154	64,251
Over 90 days	21,666	12,171
	440,538	349,415

9. CONTINGENCIES

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

	2010	**2009**
	US$'000	*US$'000*
Guarantee given to banks in respect of banking facilities granted to		
(i) jointly controlled entities		
– amount guaranteed	99,774	119,798
– amount utilised	54,493	72,871
(ii) associates		
– amount guaranteed	36,914	31,269
– amount utilised	22,287	19,477

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 1st March, 2011 to 4th March, 2011, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 28th February, 2011 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, 2010, the Group recorded turnover of US$5,788.2 million, representing year-on-year growth of 15.4%, while net profit attributable to owners of the Company improved modestly by 3.2% year-on-year to US$479.5 million. Basic earnings per share increased marginally by 3.3% year-on-year to US29.08 cents.

Review of Operations

Footwear manufacturing activity for the Group picked up significantly compared to last year's level. Footwear industry growth and its consolidation in sourcing activities and a steady improvement in consumer spending, encouraged the Group's brand name customers to place more orders for production.

Sales to the Group's largest geographic market, Asia, grew at moderate pace of 15.1% compared to last year's and the second largest market, the U.S.A., was able to return to a pre-crisis level of sales with year on year growth at 11.4%. The European market, which experienced more difficult circumstances during this financial period, still managed a very modest level of growth at 5.6% year on year. Smaller markets did well as certain brand name customers were able to grow their market share very rapidly after implementing well designed marketing programs.

Total Turnover by Geographical Market

For the year ended 30th Sept

	2010		2009		y-o-y
	US$ millions	*%*	*US$ millions*	*%*	*% change*
U.S.A.	1,709.1	29.5	1,534.1	30.6	11.4
Europe	1,180.4	20.4	1,117.9	22.3	5.6
Asia	2,274.5	39.3	1,976.7	39.4	15.1
South America	331.9	5.7	174.0	3.5	90.7
Canada	143.6	2.5	81.5	1.6	76.2
Other Areas	148.7	2.6	132.7	2.6	12.1
Total Turnover	**5,788.2**	**100.0**	**5,016.9**	**100.0**	**15.4**

Sales of athletic shoes, the key product category for the Group, experienced 13.1% year on year growth. The Group's major customers not only designed athletic shoes featuring innovative technology and eye catching patterns, but also pursued marketing strategies that provided a spectrum of price points to satisfy the broadest range of customers possible. Retail sales grew as China continued to experience solid GDP growth and consumers in China maintained their preference of purchasing athletic footwear and apparel of well known brand name.

Total Turnover by Product Category

For the year ended 30th Sept

	2010		2009		y-o-y
	US$ millions	*%*	*US$ millions*	*%*	*% change*
Athletic Shoes	3,064.7	53.0	2,709.7	54.0	13.1
Casual/Outdoor Shoes	943.4	16.3	781.8	15.6	20.7
Sports Sandals	64.2	1.1	71.8	1.4	(10.5)
Retail Sales - Shoes & Apparel	1,185.7	20.5	1,015.5	20.2	16.8
Soles, Components & Others	530.2	9.1	438.1	8.8	21.0
Total Turnover	**5,788.2**	**100.0**	**5,016.9**	**100.0**	**15.4**

At the end of September 2010, the total number of directly operated counters/stores in China under the Group stood at about 3,956 and there were 4,218 sub-distributors in the Greater China region.

The Group's investments in a number of associates and jointly controlled entities engaged in activities such as material supplies, the production of sports apparel, ladies' shoes, safety shoes, and shoe components, have performed better this year as the benefits of restructuring procedures implemented a year or two back begin to surface. The Group's advice on management decisions have been improving the long term business strategy of these companies.

Production Review

During the period under review, the Group produced a total of 286.4 million pairs of shoes, an increase of 16.3% compared with the previous year. A pick up in order flow from the Group's larger customers helped production volume increase compared to last year's level. The average selling price for shoes declined slightly in the first half and became positive in the second half. During the year the Group had expanded its production capacity. At the end of the fiscal year there were 460 production lines. The geographical distribution of production was similar to previous years with 226 lines in mainland China, 114 in Indonesia and 120 in Vietnam.

External demand from medium and small sized shoe manufacturers for soles and components was strong as a result of the better business environment. This enabled the Group business unit selling to these manufacturers to generate a satisfactory level of profitability. The unit was able to handle this year's turnover of US$477.2 million using its existing capacity.

Cost review

Total annual sales increased 15.4% year-on-year. In comparison with the annual sales growth of 15.4%, direct labour costs experienced higher growth rate of 31%. All other cost items experienced similar growth rate as annual sales.

Product development

During the period under review, the Group spent US$131.1 million in product development, an increase of 13.5% over fiscal year 2009. This increase reflects the desires of customers to offer a wide range of products to consumers. These expenditures encompassed items such as sample development, preparation work for the technical development package, trial production and research on materials. The Group continues to maintain separate product development teams to serve the product development centers of each of the brand customers. The Group continues to work with its customers to enhance control of production lead times and to develop advanced high-quality footwear.

Financial Review

Liquidity

The Group's financial position remained stable. As at 30th September, 2010, the Group had cash and cash equivalents of US$622 million (2009: US$1,196 million) and total borrowings of US$979 million (2009: US$1,522 million). The gearing ratio (total borrowings to total equity) was 26% (2009: 44%) and the net debt to equity ratio (total borrowings net of cash on hand to total equity) stood at 9% (2009: 10%). The decrease in the net debt to equity ratio reflects the Group's conservative level of borrowing.

Capital expenditure

Capital expenditure increased to US$348.8 million (2009: US$260.6 million), as the Group made necessary investments for the expansion of production capacity outside the Pearl River Delta. The Group spent about US$109.0 million on constructing new factory buildings and ancillary facilities, mainly in mainland China and Indonesia. Meanwhile, another US$28.3 million went into buildings and a further US$145.2 million was spent on machinery and leasehold improvements.

Dividends

A final dividend of HK$0.56 per share (2009: HK$0.55) has been recommended, making the full-year dividend per share HK$0.90 (2009: 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 2010 is 40%, which is similar to the 41% in 2009.

Employees

As at 30th September, 2010, the Group had a manufacturing force of about 340,000 staff. The Group adopts a remuneration system based on an employee's performance throughout the year, and offers equal opportunities to all staff. There are incentives in the form of discretionary performance bonuses to those who make creative suggestions that improve productivity.

Looking Forward

Turnover jumped in the first quarter of fiscal 2011 due to higher growing demands served only by limited manufacturing capacity expansions. For the three months ended December 2010, the Group turnover stepped up by around 28% year-on-year to approximately US$1.69 billion.

Imbalanced global economic revivals have caused appreciations of major Asian currencies against US Dollar. As a result, inflations in these heavy manufacturing-reliance countries push labor cost up. The rising crude oil price has a negative impact on raw material prices. The Group has been working hand in hand with its customers to manage these headwinds.

In view of the growing purchasing power in the China market, the Group is looking forward to benefiting from it by carefully managing its retailing business.

Corporate Social Responsibility

The Group continued to make necessary investments to enhance productivity as well as to maintain workplace safety. The Group persisted with its policy of making investments to enhance environmental protection. The division responsible for corporate social responsibility (CSR), held courses and programs to strengthen the bonds between the management and employees, and these activities continue to be of great value to the Group. The recent global developments in CSR have led to greater definition and the CSR teams now have elevated their focus on the issues involving sustainable development (SD).

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

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, 2010 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.

RETIREMENT OF DIRECTORS

In accordance with bye-law 86(2) and 87 of the Company's bye-laws, Mr. Tsai Chi Neng, Mr. David N.F. Tsai, Mr. Lu Chin Chu ("Mr. Lu"), Mr. John J.D. Sy ("Mr. Sy"), Mr. Huang Ming Fu and Mr. Lee Shao Wu will retire as director by rotation at the forthcoming annual general meeting to be held on 4th March, 2011, except for Mr. Sy and Mr. Lu who will not offer themselves for re-election due to their personal commitments. Further details of the proposed re-election of the retiring directors will be disclosed in our circular to be despatched to all shareholders of the Company together with the annual report of the Company for the year ended 30th September, 2010 in due course.

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, 2010.

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, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien and Mr. Lee Shao Wu are the Executive Directors, Mr. John J. D. Sy is the Non-executive Director, and Dr. Liu Len Yu, Mr. Leung Yee Sik and Mr. Huang Ming Fu are the Independent Non-executive Directors.

By Order of the Board
Tsai Chi Neng
Chairman

Hong Kong, 19th January, 2011

website: www.yueyuen.com