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

(Incorporated in Bermuda with limited liability)

(Stock Code: 551)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31ST MARCH, 2011

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 31st March, 2011	2010	Percentage increase
Turnover *(US$'000)*	3,301,949	2,654,565	24.4%
Profit attributable to owners of the Company *(US$'000)*	230,093	210,795	9.2%
Basic earnings per share *(US cents)*	14.0	12.8	9.4%
Dividend per share – Interim *(HK$)*	0.34	0.34	–

* *for identification purposes only*

INTERIM RESULTS

The directors of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 31st March, 2011 with comparative figures for the corresponding period in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31st March, 2011

		For the six months ended 31st March,	
		2011	**2010**
		(unaudited)	**(unaudited)**
	Notes	*US$'000*	*US$'000*
Turnover	3	3,301,949	2,654,565
Cost of sales		(2,546,397)	(1,977,269)
Gross profit		755,552	677,296
Other income		74,326	50,670
Selling and distribution expenses		(260,953)	(219,238)
Administrative expenses		(246,999)	(213,161)
Other expenses		(84,787)	(75,200)
Finance costs		(19,595)	(22,286)
Fair value changes on derivative financial instruments	4	(3,449)	3,770
Gain on deemed disposal of a jointly controlled entity		18,767	–
Fair value changes on investment properties		4,612	–
Impairment loss of an available-for-sale investment		(100)	–
Impairment loss on investments in an associate and jointly controlled entities		(2,000)	(2,480)
Share of results of associates		17,643	17,110
Share of results of jointly controlled entities		11,869	31,538
Profit before taxation		264,886	248,019
Income tax expense	5	(15,259)	(31,281)
Profit for the period	6	249,627	216,738
Attributable to:			
Owners of the Company		230,093	210,795
Non-controlling interests		19,534	5,943
		249,627	216,738
		US cents	*US cents*
Earnings per share	8		
– Basic		14.0	12.8
– Diluted		11.6	12.2

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 31st March, 2011

	For the six months ended 31st March,	
	2011	**2010**
	(unaudited)	**(unaudited)**
	US$'000	*US$'000*
Profit for the period	249,627	216,738
Other comprehensive income		
Exchange difference arising on the translation of foreign operations	21,021	2,270
Gain on fair value changes of investments	1,877	3,802
Other comprehensive income for the period	22,898	6,072
Total comprehensive income for the period	272,525	222,810
Total comprehensive income attributable to:		
Owners of the Company	246,155	216,594
Non-controlling interests	26,370	6,216
	272,525	222,810

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st March, 2011

	Note	At 31st March, 2011 (unaudited) US$'000	At 30th September, 2010 (audited) US$'000
Non-current assets			
Investment properties		55,797	59,746
Property, plant and equipment		1,779,041	1,668,055
Deposits paid for acquisition of property, plant and equipment		12,875	4,704
Prepaid lease payments		179,204	182,494
Intangible assets		112,012	70,612
Goodwill		233,211	218,607
Investments in associates		362,022	349,796
Amounts due from associates		11,331	11,083
Investments in jointly controlled entities		345,144	341,698
Deposit paid for acquisition of the remaining interest in a jointly controlled entity		–	19,223
Amounts due from jointly controlled entities		119,215	132,452
Long-term loan receivables		11,180	17,642
Available-for-sale investments		23,873	21,463
Rental deposits and prepayments		27,927	22,375
Derivative financial instruments		33,244	46,024
Pledged bank deposits		12,201	–
Deferred tax assets		741	2,293
		3,319,018	3,168,267
Current assets			
Inventories		963,100	776,139
Trade and other receivables	9	1,115,455	1,109,315
Prepaid lease payments		5,082	3,942
Taxation recoverable		1,534	2,692
Available-for-sale investments		3,050	8,227
Derivative financial instruments		16,576	34,407
Bank balances and cash		654,916	622,333
		2,759,713	2,557,055
Assets classified as held for sale		35,978	–
		2,795,691	2,557,055

	Note	At 31st March, 2011 (unaudited) US$'000	At 30th September, 2010 (audited) US$'000
Current liabilities			
Trade and other payables	10	942,037	898,866
Consideration payable for acquisition of subsidiaries		3,139	–
Taxation payable		16,924	16,078
Derivative financial instruments		7,879	27,041
Bank borrowings		420,704	226,318
Convertible bonds		275,655	–
		1,666,338	1,168,303
Net current assets		1,129,353	1,388,752
Total assets less current liabilities		4,448,371	4,557,019
Non-current liabilities			
Convertible bonds		–	268,649
Consideration payable for acquisition of subsidiaries		3,139	–
Long-term bank borrowings		477,013	483,731
Deferred tax liabilities		36,784	28,136
		516,936	780,516
Net assets		3,931,435	3,776,503
Capital and reserves			
Share capital		53,211	53,211
Reserves		3,445,445	3,317,845
Equity attributable to owners of the Company		3,498,656	3,371,056
Non-controlling interests		432,779	405,447
Total equity		3,931,435	3,776,503

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st October, 2010. The adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 30th September, 2010. In addition, the Group adopted the following new accounting policy for business combinations achieved in stages (where the Group previously had an equity interest in the acquiree) and contingent consideration in a business combination.

Business Combinations

Business combinations on or after 1st October, 2009

Contingent consideration

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

Business combination achieved in stages

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date the Group obtains control). Any resulting gain or loss is recognised in profit or loss. Any amount that was previously recognised in other comprehensive income is recognised on the same basis as if the interest had been disposed of on the acquisition date.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (as revised in 2008) and HKAS 27 (as amended in 2008)[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[3]
HKAS 24 (Revised)	Related Party Disclosures[1]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for first-time Adopters[2]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[1]

[1] Effective for annual periods beginning on or after 1st January, 2011
[2] Effective for annual periods beginning on or after 1st July, 2011
[3] Effective for annual periods beginning on or after 1st January, 2012
[4] Effective for annual periods beginning on or after 1st January, 2013

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 available-for-sale investments. 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 the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENTAL INFORMATION

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 (the "CODM"), being the board of directors of the Company, in order to allocate resources to segments and to assess their performance.

Information reported to the CODM, for the purposes of resources allocation and performance assessment, focuses specifically on the turnover analysis by principal categories of the Group's business and the profit of the Group as a whole. Accordingly, the CODM has determined that the Group has only one operating segment, as defined in HKFRS 8. 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.

Information regarding turnover derived from the above businesses is as follows:

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Turnover		
Manufacturing Business	2,606,872	2,059,739
Retailing Business	695,077	594,826
Total turnover	3,301,949	2,654,565

4. FAIR VALUE CHANGES ON DERIVATIVE FINANCIAL INSTRUMENTS

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
(Loss) gain on changes in fair value of:		
– JV Call Options	(4,720)	217
– HKD Call Option	(17,809)	20,253
– Derivatives embedded in convertible bonds	17,565	(15,219)
– Derivative embedded in structured bank deposit	–	(196)
– Other derivative financial instruments	1,515	(1,285)
	(3,449)	3,770

5. INCOME TAX EXPENSE

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Income tax expense attributable to the Company and its subsidiaries:		
Profits Tax:		
Hong Kong Profits Tax *(note i)*	395	25,297
The People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	11,537	5,506
Overseas taxation *(note iii)*	3,008	1,049
	14,940	31,852
Deferred taxation	319	(571)
	15,259	31,281

notes:

(i) Hong Kong

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Hong Kong Profits Tax		
– current period	395	297
– prior years	–	25,000
	395	25,297

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

During the period from March 2004 to March 2010, the Hong Kong Inland Revenue Department (the "HKIRD") issued protective profits tax assessments to certain wholly-owned subsidiaries of the Group. Following a series of subsequent negotiations, a compromised settlement with the HKIRD was reached in early June 2010 at a sum of about US$25 million as a full and final settlement of the profits tax of those subsidiaries 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 condensed consolidated income statement for the period ended 31st March, 2010.

(ii) PRC

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
PRC EIT		
– current period	10,898	5,506
– underprovision in prior year	639	–
	11,537	5,506

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 as follows:

(a) Pursuant to the relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries were exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction in the applicable tax rate for the next three years. These tax holidays and concessions expired or will 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 were located in specified provinces of Western China and engaged in a specific 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 exceeds 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 continue 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 implementations of the Law of the PRC on EIT.

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

6. PROFIT FOR THE PERIOD

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	97,406	88,769
Release of prepaid lease payments	2,910	3,482
Amortisation of intangible assets	2,837	2,310
Research and development expenditure (included in other expenses)	73,000	64,119
Allowance for inventories	2,001	11,959
Impairment loss on investments in an associate and jointly controlled entities (other than the investment classified as held for sale)	2,000	800
and after crediting to other income:		
Net exchange gain	9,495	3,066
Write back of impairment loss on trade receivables	638	294
Subsidies, rebates and other income from suppliers	16,603	10,385

7. DIVIDENDS

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Dividends recognised as distribution during the period:		
2010 Final dividend of HK0.56 per share (2010: 2009 Final dividend of HK$0.55 per share) *(note)*	118,555	116,756

note:

The final dividends for each of the years ended 30th September, 2010 and 2009 of approximately US$118,555,000 and US$116,756,000, respectively, were declared and approved after 30th September, 2010 and 2009, respectively. Under the Group's accounting policy, they were recognised as distribution in the period in which they were declared.

At a meeting on 31st May, 2011, the directors of the Company declared an interim dividend of HK$0.34 per share for the year ending 30th September, 2011 (2010: interim dividend of HK$0.34 per share). The interim dividend of approximately US$72,032,000 (2010: US$72,221,000) will be paid on 15th July, 2011 to the shareholders on the register of members of the Company on 5th July, 2011.

8. EARNINGS PER SHARE

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

	For the six months ended 31st March,	
	2011	**2010**
	US$'000	*US$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	230,093	210,795
Effect of dilutive potential ordinary shares:		
Finance costs on convertible bonds *(note a)*	7,813	–
Fair value changes on derivative embedded in convertible bonds *(note a)*	(17,565)	–
Adjustment to the share of profit of a subsidiary on dilution of its earnings per share *(note b)*	(1)	–
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	220,340	210,795

	For the six months ended 31st March, 2011	2010
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,648,928,486	1,648,928,486
Effect of dilutive potential ordinary shares:		
USD Call Option 2011	78,504,672	78,504,672
USD Call Option 2015	92,247,920	–
Convertible bonds *(note a)*	73,480,373	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,893,161,451	1,727,433,158

notes:

(a) The computation of diluted earnings per share for the six months ended 31st March, 2010 does not assume the conversion of the Company's outstanding convertible bonds – CB 2011 because the assumed exercise of the conversion options would result in an increase in earnings per share.

(b) The computation of diluted earnings per share for the six months ended 31st March, 2010 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 price of those options was higher than the average market price of Pou Sheng for that period.

9. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 90 days which are agreed with each of its trade customers.

Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of approximately US$688,741,000 (30th September, 2010: US$720,430,000). An aged analysis based on the invoice date is as follows:

	At 31st March, 2011 *US$'000*	At 30th September, 2010 *US$'000*
0 to 30 days	484,483	505,508
31 to 90 days	191,802	200,036
Over 90 days	12,456	14,886
	688,741	720,430

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately US$471,552,000 (30th September, 2010: US$440,538,000). An aged analysis based on the invoice date is as follows:

	At 31st March, 2011 *US$'000*	At 30th September, 2010 *US$'000*
0 to 30 days	360,928	331,718
31 to 90 days	90,408	87,154
Over 90 days	20,216	21,666
	471,552	440,538

11. CONTINGENCIES

	At 31st March, 2011 *US$'000*	At 30th September, 2010 *US$'000*
Guarantees given to banks in respect of banking facilities granted to:		
(i) jointly controlled entities		
– amount guaranteed	84,102	99,774
– amount utilised	44,295	54,493
(ii) associates		
– amount guaranteed	30,725	36,914
– amount utilised	23,249	22,287
(iii) a former subsidiary		
– amount guaranteed	12,201	–
– amount utilised	12,201	–

INTERIM DIVIDENDS

The Directors are pleased to declare an interim dividend of HK$0.34 per share for the year ending 30th September, 2011 to shareholders whose names appear on the Register of Members on Tuesday, 5th July, 2011. The interim dividend will be paid on Friday, 15th July, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 5th July, 2011 to Friday, 8th July, 2011, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, 4th July, 2011.

FINANCIAL HIGHLIGHTS AND BUSINESS REVIEW

Results

The Group's turnover rose 24.4% year on year to approximately US$3,301.9 million, and net profit attributable to owners of the Company increased by 9.2% year on year to approximately US$230.1 million.

Operations

Both footwear manufacturing and the retail operations in the Greater China Region saw solid sales growth compared to the same period last year.

Shoe manufacturing activity represents 70.8% of the Group's turnover. The Group's major customers have seen their sales grow in their recent financial year and expect calendar year 2011 also to experience sales growth. For the six month period, the Group's shoe manufacturing sales increased by 27.1% to US$2,336.9 million underpinned by shoe manufacturing volume that was up by 19.7% to 162.8 million pairs, and an increase of 6.2% in the average sales price to US$14.35 per pair. The total number of production lines grew by 10.0% to 506 lines for the 6 months ended 31st March, 2011.

Retail Turnover from the wholesale and retail operations in the Greater China region, representing 21.1% of the Group's Turnover, also grew on a year on year basis as a consequence of the strength in consumer spending in the Greater China region. Retail Turnover increased by 16.8% to US$695.1 million in the six month period. The Group as at 31st March, 2011, had 2,765 directly operated retail stores/counters and had 3,282 sub-distributors, giving the Group a total of 6,047 points of sale across the region.

Total Turnover by Product Category

Six months ended 31st March	2011		2010		y-o-y
	US$ millions	%	*US$ millions*	%	*% change*
Athletic Shoes	1,753.8	53.1	1,424.8	53.7	23.1
Casual/Outdoor Shoes	530.3	16.1	370.9	14.0	43.0
Sports Sandals	52.8	1.6	43.5	1.6	21.4
Retail Turnover	695.1	21.1	594.9	22.4	16.8
Soles, Components & Others	269.9	8.1	220.5	8.3	22.4
Total Turnover	**3,301.9**	**100.0**	**2,654.6**	**100.0**	**24.4**

The growth of the retail sales business in the Greater China region has made Asia the largest market for the Group and the turnover from the three major markets, the USA, Europe and Asia, comprise 91.8% of the Group's Sales. Excluding the retail turnover business, shoe manufacturing turnover for the Asia region represents roughly 20.4% of the Group's turnover. Even from the standpoint of shoe manufacturing turnover, the USA, Europe and Asia are the three largest markets.

Total Turnover by Geographical Market

Six months ended 31st March	2011		2010		y-o-y
	US$ millions	%	*US$ millions*	%	*% change*
U.S.A.	944.5	28.6	793.9	29.9	19.0
Europe	718.3	21.8	553.4	20.9	29.8
Asia	1,368.3	41.4	1,113.3	42.0	22.9
South America	143.3	4.3	83.3	3.1	72.0
Canada	52.8	1.6	41.0	1.5	28.8
Other Areas	74.7	2.3	69.7	2.6	7.2
Total Turnover	**3,301.9**	**100.0**	**2,654.6**	**100.0**	**24.4**

Looking Forward

Unaudited Group turnover grew in the month of April 2011 on account of the continuing recovery of the global economy: Group turnover increased by around 26% year-on-year to approximately US$613 million.

Overall, the Group has achieved turnover growth in the seven months ended 30th April, 2011, compared to the same period last year, to around US$3.9 billion, an increase of just over 24%. The start up of new production facilities in Mainland China, Indonesia, Vietnam and Bangladesh, is an incremental process that requires time. In the short term, time and resources need to be set aside to gradually fine tune the production line and train up new production staff. Increasing wages in China will help maintain consumer spending growth in the Country, which in turn should lead to further sales growth for the Group's international athletic and casual brand name customers.

Financial Position

The Group maintains a stable financial position. As at 31st March, 2011, the Group had cash and cash equivalents of US$655 million (30th September, 2010: US$622 million) and total borrowings of US$1,173 million, including the convertible bonds, (30th September, 2010: US$979 million). Net debt was US$518 million as at 31st March, 2011 compared to US$357 million as at 30th September, 2010 as the Group increased capital expenditures by 118% to US$258 million for the six month period. The gearing ratio stood at 30% (30th September, 2010: 26%) and the net debt to equity ratio was 13% (30th September, 2010: 9%). The gearing ratio is based on total borrowings to total equity and the net debt to equity ratio is based on total borrowings net of cash and cash equivalents to total equity.

Corporate Social Responsibility

The Group's Sustainable Development ("SD") department continues to guide the Group so that it can fulfill its corporate and social responsibility. The SD department achieves this principally through three avenues. First, it assists the Group to follow closely the Codes of Conduct ("CoC") developed by the brand name customers. These CoC are crucial to ensure that factories are managed in a manner consistent with developed world labour management practices and are considered generally accepted codes of conduct. By following these codes of conduct, the Group not only protects its reputation but also strengthens its relationship with its brand name customers. Secondly, the SD department helps the factories develop programs that improve employee safety and thus reduce the number of industrial accidents. Finally, the SD department works together with the factories on programs that promote environmental protection. Protection of the environment is achieved by either saving energy, or reducing the production of waste. Stakeholders of corporations expect leading organizations to address the issues relating to corporate and social responsibility.

In China, the Group continues to look for ways to improve operating safety, save energy and for approaches to increase employee well being in the workplace. Factories have dedicated resources to the ergonomics of the production line, on the one hand looking for techniques to reduce the involvement of labour and on the other to optimize the layout of the workstation. Factories have also been upgrading the technology for the chemical boilers, in particular where possible switching from using heavy oil to natural gas as the operating fuel, so as to reduce pollution emissions. One of the Zhongshan factories recently held various parenting classes to help factory employees strengthen the relationship between parents and children. A Huangjiang factory installed a new ion-exchange system for treating waste water and this has helped reduce fresh water usage by 40%. Another Huangjiang factory implemented new canteen procedures for employees so as to provide a greater choice of meal dishes: this change has helped elevate employee satisfaction in the factory. A factory in Jiangxi together with a technical college offered a course to students on factory management principles. Another factory in Jiangxi was recently commended by the district government for the programs it created to protect the environment. A factory in Dongguan recently provided a series of courses to teach employees new computer skills: employees were enthusiastic and the factory will continue to offer the courses in the future. The factories continue to teach workers on the importance of personal hygiene as well as promote social activities to educate and help communities surrounding the factories.

In Vietnam, the Group has been involved in charitable activities to help both employees and the communities surrounding the factories. Recently the Group started the construction of a kindergarten for children of the factory staff. The initial capacity will be at least 500 students and it will be built incorporating the latest designs expected of environmentally friendly building structures. The target is to have kindergarten operating in the next twelve to eighteen months and to expand capacity over time. The factory in Dong Nai held a traffic safety contest to improve the awareness of traffic safety for all employees. In another instance, the factory was involved in a community event to provide gifts to under privileged children. The factory also sponsored various events to help employees celebrate the Chinese New Year and to strengthen the relationship between management and employees. The factory also sponsored various activities to commemorate International Women's Day and support the Earth Hour Event promoting energy efficiency. The factory implemented various changes to the premises to enhance illumination and ventilation so as to improve the health and safety of employees and to help save energy. The factory near Ho Chi Minh City held a football contest for employees to improve employee spirit within the factory. An event was also held to provide employees information about important aspects of children's health. The factory held an event to recognize workers who had been employees for at least ten years. The factory also held seminars to educate workers on issues such as contagious diseases, personal hygiene, women's health during pregnancy and worker safety in the factory.

In Indonesia, the Group held community activities like free medical service, and donation for local events to help employees and villagers surrounding a key industry park. Meanwhile, factories held various activities like seminars, training, sport campaign, modern dance, and health fair for employees to have a better understanding of their rights, hygiene, safety issues on the production floor and relaxation from the team activities. The health fair is a two day event that allows the organizers to teach production workers within a friendly and relaxed atmosphere, important concepts regarding personal health, starting from personal hygiene all the way to encompassing more complex issues such as women's health during pregnancy. The Group has found the health fair event is an effective way to engage the majority of workers on the production floor. These events help factory employees be happier and keep better health. Various initiatives like to build the energy saving mindset into the work place, and devices installed on machines to limit the wastage of energy, and innovation on both process and machinery to reduce the energy consumption, those are promoted to make the factories more energy efficient and environmentally friendly were also carried out. The Group has also periodically organized expeditions to villages surround the factory to provide free medical services. The factories in a few instances won awards from key customers for their leading efforts in the area of social environmental affairs.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31st March, 2011.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with management and the external auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial statements.

The external auditor has reviewed the interim financial information for the six months ended 31st March, 2011 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 has applied the principles and complied with the provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules during the six months ended 31st March, 2011, with deviation 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 BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by directors. All directors of the Company have confirmed, following specific enquiry by the Company that they have complied with the required standard set out in the Model Code during the six months ended 31st March, 2011.

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.

As at the date of this announcement, Mr. Tsai Chi Neng (Chairman), Mr. David N. F. Tsai (Managing Director), Mr. Kuo Tai Yu, Mr. Kung Sung Yen, Mr. Chan Lu Min, Mr. Li I Nan, Steve, Ms. Tsai Pei Chun, Patty, Ms. Kuo Li-Lien, Mr. Lee Shao Wu are the Executive Directors, 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, 31st May, 2011

Website: www.yueyuen.com