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

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

GROUP FINANCIAL HIGHLIGHTS

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2015

		For the six months ended June 30,	
		2015	2014
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Revenue	*3*	**4,245,431**	3,951,335
Cost of sales		**(3,286,215)**	(3,065,870)
Gross profit		**959,216**	885,465
Other income		**77,557**	63,511
Selling and distribution expenses		**(383,581)**	(319,735)
Administrative expenses		**(324,978)**	(298,740)
Other expenses		**(92,632)**	(198,772)
Finance costs		**(9,901)**	(9,427)
Fair value changes on derivative financial instruments		**12,214**	(25,177)
Fair value changes on consideration payable for acquisition of business		**637**	562
Fair value changes on structured bank deposit		**–**	74
Impairment loss on consideration receivable for disposal of properties		**(2,566)**	–
Impairment loss on investment in a joint venture		**(5,483)**	–
Impairment loss on amounts due from joint ventures		**(6,568)**	(2,845)
Share of results of associates		**24,909**	19,264
Share of results of joint ventures		**11,954**	11,384
Profit before taxation		**260,778**	125,564
Income tax expense	*4*	**(35,733)**	(21,454)
Profit for the period	*5*	**225,045**	104,110
Attributable to:			
Owners of the Company		**210,280**	101,444
Non-controlling interests		**14,765**	2,666
		225,045	104,110
		US cents	*US cents*
Earnings per share	*7*		
– Basic		**12.77**	6.15
– Diluted		**12.42**	5.83

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2015

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*

At June 30, 2015

	Note	**At June 30, 2015 (unaudited)** ***US$'000***	At December 31, 2014 (audited) *US$'000*
Current liabilities			
Trade and other payables	*9*	**1,370,447**	1,343,605
Taxation payable		**31,796**	19,551
Derivative financial instruments		**3,281**	14,835
Consideration payable for acquisition of additional interest in a subsidiary		**550**	550
Bank borrowings		**513,921**	229,345
		1,919,995	1,607,886
Liabilities associated with assets classified as held for sale		**–**	5,716
		1,919,995	1,613,602
Net current assets		**1,787,722**	2,113,170
Total assets less current liabilities		**5,270,952**	5,557,518
Non-current liabilities			
Long-term bank borrowings		**370,000**	720,000
Consideration payable for acquisition of business		**15,808**	16,436
Deferred tax liabilities		**38,710**	39,639
		424,518	776,075
Net assets		**4,846,434**	4,781,443
Capital and reserves			
Share capital		**53,211**	53,211
Reserves		**4,405,121**	4,345,771
Equity attributable to owners of the Company		**4,458,332**	4,398,982
Non-controlling interests		**388,102**	382,461
Total equity		**4,846,434**	4,781,443

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

3. REVENUE AND SEGMENTAL INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of performance focuses specifically on the revenue analysis by principal categories of the Group's business and the profit of the Group as a whole. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear products ("Retailing Business") which includes the operating and leasing of large scale commercial spaces to retailers and distributors.

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

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

4. INCOME TAX EXPENSE

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

4. INCOME TAX EXPENSE – *continued*

notes:

(a) Hong Kong

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

(b) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except for the followings:

Pursuant to《財政部、國家稅務總局、海關總署關於西部大開發稅收優惠政策問題的通知》(Caishui [2001] No. 202), the relevant state policy and with approval obtained from tax authorities in charge, certain subsidiaries which are located in specified provinces of Western China and engaged in a specified state-encouraged industry were subject to a preferential tax rate of 15% during the period from 2001 to 2010 when the annual revenue from the encouraged business exceeded 70% of its total revenue in a fiscal year. Such preferential tax treatment is further extended for a period of ten years from 2011 to 2020 on the condition that the enterprise must be engaged in state-encouraged industries as defined under the "Catalogue of Encouraged Industries in the Western Region" (the "Catalogue") pursuant to《財政部、海關總署、國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知》(Caishui [2011] No. 58) issued in 2011. The directors of the Company consider that the relevant subsidiaries are engaged in the state-encouraged industries under the Catalogue and continue to enjoy the preferential tax rate of 15% in the both periods.

(c) Overseas

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

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

5. PROFIT FOR THE PERIOD

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

note: For the six months ended June 30, 2014, the total staff cost included the provision for increased contributions to social insurance benefit and housing provident fund (collectively the "Employee Benefit Payments") of US$90 million (six months ended June 30, 2015: Nil)

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

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

	For the six months ended June 30, 2015 (unaudited) *US$'000*	2014 (unaudited) *US$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**210,280**	101,444

7. EARNINGS PER SHARE – *continued*

	2015 **(unaudited)**	2014 (unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,646,198,486**	1,648,228,469
Effect of dilutive potential ordinary shares:		
USD Call Option 2015	**45,869,131**	92,247,920
Unvested awarded shares	**1,460,635**	803,660
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,693,528,252**	1,741,280,049

note:

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

The computation of diluted earnings per share for the six months ended June 30, 2015 and 2014 does not assume the exercise of share options of Pou Sheng International (Holdings) Limited ("Pou Sheng"), a listed subsidiary of the Company, because the exercise prices of those options were higher than the average market price of Pou Sheng's shares in the respective periods.

8. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of US$1,070,918,000 (December 31, 2014: US$990,894,000) and an aged analysis based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition dates, is as follows:

	At June 30, 2015 (unaudited) *US$'000*	At December 31, 2014 (audited) *US$'000*
0 to 30 days	**705,307**	647,422
31 to 90 days	**340,627**	315,265
Over 90 days	**24,984**	28,207
	1,070,918	990,894

9. TRADE AND OTHER PAYABLES

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

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

10. CONTINGENCIES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

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

RECURRING OPERATING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

OPERATIONS

General Overview

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

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

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

Total Revenue by Product Category

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

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

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

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

Production Review

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

Cost Review

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

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

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

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

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

Product Development

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

FINANCIAL REVIEW

Liquidity

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

Capital Expenditure

During the six months under review, the capital expenditure of the Group amounted to US$207.6 million (2014: US$135.1 million).

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

Contingent Liabilities

The Group had provided guarantees to banks in respect of banking facilities granted to joint ventures and associates. The details of which can be seen in note 10 of the notes to the condensed consolidated interim financial information.

Interim Dividends

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

The Group's operating cash flow remains strong, and a suitable level of cash holdings will be maintained. The policy of upholding steady growth in the normal dividend payment over time remains intact.

Foreign Exchange Exposure

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

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

Goodwill and Intangible Assets

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

Employees

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

PROSPECTS

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

During the six months ended June 30, 2015, the Company has applied the principles of and has complied with all code provisions set out in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 June 30, 2015.

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 information.

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, September 22, 2015 to Thursday, September 24, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration of not later than 4:30 p.m. on Monday, September 21, 2015.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.yueyuen.com) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended June 30, 2015 will be dispatched to shareholders and published on the aforesaid websites in due course.

ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the period.

DIRECTORS

As at the date of this announcement, the directors of the Company are:

Executive Directors:

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

Independent Non-executive Directors:

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

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

Hong Kong, August 13, 2015