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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, 2016

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended June 30, 2016	2015	Percentage increase
Revenue *(US$'000)*	**4,280,785**	4,245,431	**0.83%**
Recurring operating profit attributable to owners of the Company *(US$'000)*	**233,681**	208,755	**11.94%**
Non-recurring operating profit attributable to owners of the Company *(US$'000)*	**15,030**	1,525	**885.57%**
Profit attributable to owners of the Company *(US$'000)*	**248,711**	210,280	**18.28%**
Basic earnings per share *(US cents)*	**15.11**	12.77	**18.32%**
Dividend per share – interim dividend *(HK$)*	**0.40**	0.40	**–**

* *for identification purposes only*

INTERIM RESULTS

The directors of Yue Yuen Industrial (Holdings) Limited (the "Company") 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, 2016 with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2016

		For the six months ended June 30,	
		2016	2015
		(unaudited)	(unaudited)
	Notes	***US$'000***	*US$'000*
Revenue	*3*	**4,280,785**	4,245,431
Cost of sales		**(3,221,375)**	(3,286,215)
Gross profit		**1,059,410**	959,216
Other income		**50,194**	74,287
Selling and distribution expenses		**(415,520)**	(383,581)
Administrative expenses		**(301,450)**	(324,978)
Other expenses		**(98,615)**	(92,619)
Finance costs		**(10,842)**	(9,901)
Share of results of associates		**25,210**	24,909
Share of results of joint ventures		**(3,729)**	11,954
Other gains and losses	*4*	**15,899**	1,491
Profit before taxation		**320,557**	260,778
Income tax expense	*5*	**(45,248)**	(35,733)
Profit for the period	*6*	**275,309**	225,045
Attributable to:			
Owners of the Company		**248,711**	210,280
Non-controlling interests		**26,598**	14,765
		275,309	225,045
		US cents	*US cents*
Earnings per share	*8*		
– Basic		**15.11**	12.77
– Diluted		**15.08**	12.42

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2016

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period	**275,309**	225,045
Other comprehensive (expense) income		
Items that may be reclassified subsequently to profit or loss		
Exchange difference arising on the translation of foreign operations	**(10,819)**	6,691
Fair value gain on available-for-sale investments	**3,824**	12,889
Reclassified to profit or loss upon disposal of available-for-sale investments	**–**	(975)
Other comprehensive (expense) income for the period	**(6,995)**	18,605
Total comprehensive income for the period	**268,314**	243,650
Total comprehensive income attributable to:		
Owners of the Company	**246,066**	228,393
Non-controlling interests	**22,248**	15,257
	268,314	243,650

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2016

	Note	**At June 30, 2016 (unaudited)** *US$'000*	At December 31, 2015 (audited) *US$'000*
Non-current assets			
Investment properties		**39,489**	39,489
Property, plant and equipment		**1,948,799**	1,945,235
Deposits paid for acquisition of property, plant and equipment		**86,984**	65,078
Prepaid lease payments		**168,631**	168,839
Intangible assets		**95,593**	99,968
Goodwill		**272,687**	275,072
Investments in associates		**492,764**	472,452
Investments in joint ventures		**378,692**	393,477
Amount due from joint ventures		**8,192**	8,276
Available-for-sale investments		**31,841**	28,017
Held-to-maturity investments		**10,177**	–
Rental deposits and prepayments		**17,880**	17,307
Deferred tax assets		**19,821**	14,571
		3,571,550	3,527,781
Current assets			
Inventories		**1,180,904**	1,254,152
Trade and other receivables	*9*	**1,555,463**	1,413,759
Prepaid lease payments		**4,660**	4,788
Taxation recoverable		**8,733**	7,304
Investments held for trading		**6,663**	8,930
Derivative financial instruments		**58**	261
Pledged bank deposits		**–**	912
Bank balances and cash		**926,794**	1,046,599
		3,683,275	3,736,705
Assets classified as held for sale		**1,982**	–
		3,685,257	3,736,705

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – *continued*
At June 30, 2016

	Note	At June 30, 2016 (unaudited) US$'000	At December 31, 2015 (audited) US$'000
Current liabilities			
Trade and other payables	10	**1,321,442**	1,482,042
Taxation payable		**37,170**	29,650
Derivative financial instruments		**5,854**	20,545
Consideration payable for acquisition of business		**8,977**	11,299
Bank overdrafts		**–**	15,242
Bank borrowings		**174,593**	433,164
		1,548,036	1,991,942
Net current assets		**2,137,221**	1,744,763
Total assets less current liabilities		**5,708,771**	5,272,544
Non-current liabilities			
Long-term bank borrowings		**720,000**	370,000
Deferred tax liabilities		**35,210**	36,335
		755,210	406,335
Net assets		**4,953,561**	4,866,209
Capital and reserves			
Share capital		**53,211**	53,211
Reserves		**4,520,857**	4,445,354
Equity attributable to owners of the Company		**4,574,068**	4,498,565
Non-controlling interests		**379,493**	367,644
Total equity		**4,953,561**	4,866,209

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.

Excepts as described below, the accounting policies and methods of computation used in the condensed consolidated interim financial information for the six months ended June 30, 2016 are the same as those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2015.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less identified any impairment losses.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to 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,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Revenue		
Manufacturing Business	**3,012,998**	3,059,087
Retailing Business	**1,267,787**	1,186,344
	4,280,785	4,245,431

4. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Gain on changes in fair value of derivative financial instruments	**13,259**	12,214
Fair value changes on consideration payable for acquisition of business	**2,307**	637
Gain on disposal of subsidiaries	**421**	184
Impairment loss on investment in a joint venture	**(88)**	(5,483)
Impairment loss on consideration receivable for disposal of properties	**–**	(2,566)
Impairment loss on amounts due from joint ventures	**–**	(6,568)
Loss on deregistration of a subsidiary	**–**	(13)
Gain on disposal of a joint venture	**–**	3,086
	15,899	1,491

5. INCOME TAX EXPENSE

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Taxation attributable to the Company and its subsidiaries:		
Current tax charge:		
Hong Kong Profits Tax *(note i)*	**–**	1
People's Republic of China ("PRC") Enterprise Income Tax ("EIT") *(note ii)*	**27,827**	19,315
Overseas income tax *(notes iii & iv)*	**23,796**	19,558
	51,623	38,874
Deferred tax credit	**(6,375)**	(3,141)
	45,248	35,733

notes:

(i) Hong Kong

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

(ii) 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、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) and the Bulletin of the State Administration of Taxation [2012] No. 12 issued in 2011 and 2012, during the period from January 1, 2011 to December 31, 2020, any enterprise that is located in the Western Regions and engaged in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions" (the "New Catalogue") as its major business from which the revenue in the current period accounts for more than 70% of its total revenue shall pay EIT at the rate of 15% after its application is approved by the in-charge taxation authorities. Certain subsidiaries of the Company are located in the specified provinces of Western Regions and engaged in the industrial activities under the New Catalogue. The directors of the Company consider that the relevant subsidiaries are eligible for the preferential tax rate of 15% in both periods.

5. INCOME TAX EXPENSE – *continued*

notes: – continued

(iii) Vietnam

As approved by the relevant tax authorities in Vietnam, certain subsidiaries are entitled to two years' exemption from income taxes followed by four years of a 50% tax reduction based on a preferential income tax rate of 20%, commencing from the first profitable year.

The applicable tax rate for the subsidiaries in Vietnam range from 5% to 22% during the period (June 30, 2015: range from nil to 22%).

(iv) 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 Indonesia and Republic of China ("Taiwan") is calculated at the rates prevailing in the respective jurisdictions, which were 25% (June 30, 2015: 25%) and 17% (June 30, 2015: 17%) respectively.

6. PROFIT FOR THE PERIOD

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Profit for the period has been arrived at after charging (crediting):		
Total staff cost	**1,067,942**	1,052,905
Net exchange loss (gain) (included in other expenses (income))	**4,716**	(8,165)
Release of prepaid lease payments	**2,660**	2,809
Amortization of intangible assets (included in selling and distribution expenses)	**3,283**	3,941
Depreciation of property, plant and equipment	**127,017**	120,995
Reversal of allowance for inventories (included in cost of sales)	**(3,979)**	(7,723)
Impairment loss recognized on trade and other receivables, net (included in other expenses)	**591**	3,447
Loss on disposal of property, plant and equipment (included in other expenses)	**1,254**	7,155
Loss (gain) on disposal of prepaid lease payments (included in other expenses (income))	**298**	(8,614)
Research and development expenditure (included in other expenses)	**81,158**	75,437
Subsidies, rebates and other income from suppliers (included in other income)	**(9,145)**	(12,879)

7. DIVIDENDS

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Dividends recognized as distribution during the period:		
2015 final dividend of HK$0.80 per share (2015: 2014 final dividend of HK$0.80 per share)	**169,735**	169,904

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, 2015 (2015: final dividend for the year ended December 31, 2014 of HK$0.80 per share). The final dividend of approximately HK$1,317,537,000 (2015: HK$1,316,959,000), equivalent to US$169,735,000 (2015: US$169,904,000), was paid on June 17, 2016 to the shareholders of the Company.

8. EARNINGS PER SHARE

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

	For the six months ended June 30,	
	2016	2015
	(unaudited)	(unaudited)
	US$'000	*US$'000*
Earnings for the purpose of basic earnings per share, being profit for the period attributable to owners of the Company	**248,711**	210,280
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of a subsidiary based on dilution of its earnings per share	**(282)**	–
Earnings for the purpose of diluted earnings per share	**248,429**	210,280

	2016	2015
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,646,249,695**	1,646,198,486
Effect of dilutive potential ordinary shares:		
USD Call Option 2015	**–**	45,869,131
Unvested awarded shares	**721,489**	1,460,635
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,646,971,184**	1,693,528,252

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 did 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 during 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 US$1,139,703,000 (December 31, 2015: US$1,030,532,000) 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, 2016 (unaudited) *US$'000*	At December 31, 2015 (audited) *US$'000*
0 to 30 days	**811,245**	671,157
31 to 90 days	**315,835**	343,216
Over 90 days	**12,623**	16,159
	1,139,703	1,030,532

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of US$449,737,000 (December 31, 2015: US$513,238,000) and an aged analysis based on the invoice date at the end of the reporting period is as follows:

	At June 30, 2016 (unaudited) *US$'000*	At December 31, 2015 (audited) *US$'000*
0 to 30 days	**322,952**	375,523
31 to 90 days	**109,271**	113,169
Over 90 days	**17,514**	24,546
	449,737	513,238

11. CONTINGENCIES

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

	At June 30, 2016 (unaudited) ***US$'000***	At December 31, 2015 (audited) *US$'000*
Guarantees given to banks in respect of banking facilities granted to		
(i) joint ventures		
– amount guaranteed	**59,125**	59,625
– amount utilized	**28,000**	23,000
(ii) associates		
– amount guaranteed	**56,185**	56,376
– amount utilized	**3,256**	3,099

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended June 30, 2016, the Group recorded revenue of US$4,280.8 million, representing growth of 0.8% compared to the same period revenue in 2015 of US$4,245.4 million. Profit attributable to owners of the Company increased by 18.3% to US$248.7 million compared to US$210.3 million recorded in the same period in 2015. Basic earnings per share for half year 2016 increased by 18.3% to US15.11 cents compared to US12.77 cents of the same period in 2015.

RECURRING OPERATING PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the six months ended June 30, 2016, excluding all items non-recurring operating in nature, the recurring operating profit amounted to US$233.7 million, representing an increase of 11.9% compared to the recurring operating profit of US$208.8 million in the same period in 2015. During the half year 2016, a non-recurring operating gain totaling US$15.0 million was recognized, of which included US$13.3 million of gain due to fair value changes on derivative financial instruments. For the six month period ended June 30, 2015, profit attributable to owners of the Company included a non-recurring operating gain of US$1.5 million, of which included US$12.2 million of gain due to fair value changes on derivative financial instruments but offset by impairment losses.

OPERATIONS

General Overview

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

The manufacturing business is managed with certain objectives in mind. Firstly, the business is viewed as a partnership with the brand name customers so that the Group's operations are conducted on a basis that facilitates long term cooperation. The business unit is operated to provide the broadest level of support to the customers so as to enable the customers to be able to apply their resources principally to enhancing and promoting their brand names. Last but not least, the Group tries to provide choices to the brand name customers that enable their management of input costs and to provide diversification of operations that assist in risk management.

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

The Group manages these business units with various sustainable development targets. We believe that each business unit should consider the interests of all stakeholders in the business, including employees and the surrounding community, in making important business decisions. Furthermore, fundamental principles and core values are established across all business units to promote ethical conduct and values.

Total Revenue by Product Category

The revenue for footwear manufacturing activity for the Group declined slightly in the first half of 2016 compared to the revenue recorded in the first half of 2015. A higher volume growth was offset by decline in average selling price. Gross profit margins for the manufacturing business improved mainly due to more stable operations while rising wages for workers were partly offset by a reduction in material costs. The Group works with its brand name customers to continue to enhance factory productivity and supply chain efficiency. During the six months under review, the breakdown of Group's shoe production volume by location is as follows: 22% in the PRC, 43% in Vietnam, 34% in Indonesia and 1% in others.

When reviewing total revenue by product category, athletic shoes accounted for 48.2% of revenue, and casual/outdoor shoes 14.3%. When considering only footwear manufacturing revenue, the athletic shoes are the principal category, representing 75.6% of footwear manufacturing revenue. Correspondingly casual/outdoor shoes represented 22.4% of footwear manufacturing revenue. The Group works with the brand name customers to offer a wide range of footwear that vary in design, functionalities, and price points. The business strategy allows the Group to establish economies of scale and expertise in manufacturing to meet the different demands and interests of the brand name customers.

Retail Sales is derived primarily from the retail operations in the PRC involving the sales of various international brand name athletic footwear and apparel in the major cities. The revenue for Pou Sheng increased by 6.8% to US$1,268.4 million in the six months period compared to US$1,187.2 million recorded in the same period last year. Pou Sheng has adopted RMB as its presentation currency from USD starting from 2016 interim results, in order to reduce the impact of movements in exchange rates on reported results and to provide the shareholders with a more accurate reflection of the Pou Sheng's underlying performance. In RMB terms, Pou Sheng revenue for the first six months in 2016 increased by 12.3% to RMB8,312.9 million compared to RMB7,401.7 million in the same period last year. As at June 30, 2016, the Group had 5,131 directly operated counters/stores and 3,091 stores operated by sub-distributors in the PRC. The operating environment for the sportswear retail business in the PRC continues to be positive despite the slowing economic growth in the PRC.

Total revenue by Product Category	For the six months ended June 30,				
	2016		2015		
	US$ millions	*%*	*US$ millions*	*%*	*% change*
Athletic Shoes	**2,064.8**	**48.2**	2,005.4	47.2	3.0
Casual/Outdoor Shoes	**610.5**	**14.3**	675.5	15.9	(9.6)
Sports Sandals	**54.4**	**1.3**	52.5	1.3	3.6
Retail Sales – Shoes, Apparel & Leasing	**1,267.8**	**29.6**	1,186.3	27.9	6.9
Soles, Components & Others	**283.3**	**6.6**	325.7	7.7	(13.0)
Total Revenue	**4,280.8**	**100.0**	4,245.4	100.0	0.8

For the footwear manufacturing for the international brands, orders are received by the sales departments managing each brand name customer and normally take about ten to twelve weeks to fill.

For the retail business in the Greater China region, sales orders are taken by the Group either from customers of the shops on a daily basis or from sub-distributors at periodic intervals.

Production Review

During the six months under review, the Group produced a total of 165.7 million pairs of shoes, up by 4.1% compared to 159.1 million pairs produced in the same period in 2015. The average selling price for shoes was US$16.48 per pair compared to US$17.18 during the six month period ended June 30, 2015.

Cost Review

With respect to the footwear manufacturing operations, revenue for the half year amounted to US$3.0 billion (2015: US$3.1 billion), whereas the direct labor costs were US$0.6 billion (2015: US$0.5 billion). Total main material costs were US$1.1 billion (2015: US$1.3 billion) and total production overhead amounted to US$0.6 billion (2015: US$0.6 billion).

With respect to Pou Sheng, revenue for the half year amounted to US$1.3 billion (2015: US$1.2 billion). Retail stock costs were US$0.8 billion (2015: US$0.8 billion).

For the Group, selling and distribution expenses for the half year were US$415.5 million (2015: US$383.6 million), equivalent to approximately 9.7% (2015: 9.0%) of revenue. The increase in selling and distribution expenses was attributable mainly to the increased number of directly operated stores for Pou Sheng. Administrative expenses for the period were US$301.5 million (2015: US$325.0 million), equivalent to approximately 7.0% (2015: 7.7%) of revenue. The decrease in administrative expenses was attributable mainly to employee related provisions. Since cost pressure continues to be significant, particularly in the manufacturing business, cost management is a high priority for the managements of the Group's business.

For the six months ended June 30, 2016, the Group recorded a gain of US$13.3 million due to fair value changes on derivative financial instruments, compared to a gain of US$12.2 million in the same period in 2015.

Product Development

During the half year under review, the Group spent US$81.2 million (2015: US$75.4 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 parallel independent product development center exists within the Group to look after the said research/development team. Besides this product development work, the Group also cooperates with its customers to seek improvements in production lead times and develop new techniques to produce high-quality footwear, as well as the innovation and incorporation of environmentally friendly materials into footwear design, development and manufacturing.

FINANCIAL REVIEW

Liquidity

The Group's financial position was solid. As at June 30, 2016, the Group had cash and cash equivalents of US$926.8 million (December 31, 2015: US$1,031.4 million) and total borrowings of US$894.6 million (December 31, 2015: US$803.2 million). The gearing ratio (total borrowings to total equity) was 18.1% (December 31, 2015: 16.5%) and the Group had net cash of US$32.2 million (December 31, 2015: US$228.2 million), which reflects the Group's desire to maintain financial flexibility in these volatile times.

Capital Expenditure

During the six months under review, the capital expenditure of the Group amounted to US$193.9 million (2015: US$207.6 million): US$172.3 million was spent for the footwear manufacturing business and US$21.6 million was utilized for the retail business.

The capital expenditure for fiscal 2016 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 11 of the notes to the condensed consolidated interim financial information.

Significant Investments Held and Performance

During the current period, share of results from associates and joint ventures showed a combined profit of US$21.5 million compared to a combined profit of US$36.9 million in the same period last year. The decrease was mainly attributable to impairment loss recognized on certain assets of the joint ventures during the period in 2016 and the disposal of equity interests in Symphony Holdings Limited in 2015 that contributed profit in the same period last year.

Interim Dividends

An interim dividend of HK$0.40 per share (2015: HK$0.40 per share) has been declared to shareholders whose names appear on the Register of Members on Thursday, September 22, 2016. The interim dividend will be paid on Thursday, October 6, 2016.

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 previous acquisitions of businesses in the retail and manufacturing industries.

Employees

As at June 30, 2016, the Group had about 407,000 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

Changes in the operating environment for both the manufacturing and retail businesses require management to be flexible and keep various options available to maintain efficiency and quality. Investment is made in programs concerning supply chain integration and manufacturing excellence to improve quality and efficiency in production. The ability to bring new technologies and innovative materials to brand customers is essential for establishing strategic partnerships with them. Rebalancing and optimization of production capacity across the different countries remains a top priority. The retail business unit will continue to develop its sales and store opening strategies and inventory management so that in the medium to long term it will be a key partner to the brands it distributes and can continue to benefit from consumer spending on functional footwear and apparel in China.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, 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, 2016, the Company has applied the principles of and has complied with all the applicable code provisions of the Corporate Governance Code (including the new code provisions in the revised Corporate Governance Code in relation to internal controls) 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 "Mode Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiries of all directors, all directors confirmed that they have complied with the required standard as set out in the Model Code for the six months ended June 30, 2016.

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, risk management and internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information.

The external auditor has reviewed the condensed consolidated interim financial information for the six months ended June 30, 2016 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.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, September 20, 2016 to Thursday, September 22, 2016, 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 19, 2016.

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, 2016 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.

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

Hong Kong, August 12, 2016

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. 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).

Website: www.yueyuen.com