



PRESS RELEASE

Investor Relations Contacts:

Philip Huang

Yue Yuen Industrial (Holdings) Limited

Tel: (852) 2370-6438

Fax: (852) 2370-3547

Email: Philip_Huang@yueyuen.com

Andrew Mak

The Global Consulting Group

Tel: (852) 2905-3181

Fax: (852) 2140-6423

Email: andrew.mak@tfn.com

Daniel Loh

The Global Consulting Group

Tel: (212) 807-5061

Fax: (212) 807-5025

Email: dan.loh@tfn.com

Yue Yuen Announces FY2002 Annual Results

Record annual turnover and earnings despite challenging conditions

Board declares dividend, proposes stock split to enhance liquidity and broaden shareholder base

Hong Kong, 17 January 2003 – **Yue Yuen Industrial (Holdings) Limited** (“Yue Yuen” or “the Group”; SEHK: 551) today announced its audited consolidated results for the year ended 30th September 2002. Net earnings for the year increased 7.4% to a record US\$228.6 million. Earnings per share for the fiscal year also increased to US\$0.323 compared with US\$0.302 in 2001.

In view of Yue Yuen’s performance in 2002 and its strong financial condition, the Directors of the Group have proposed to pay a final dividend for the year of 75 Hong Kong cents, which, together with the interim dividend of 40 Hong Kong cents, totals HK\$1.15. Dividends with respect to the year 2002 represent a 15% increase compared with dividends for the year 2001, which included a final dividend of 60 Hong Kong cents and an interim dividend of 40 Hong Kong cents.

The Directors of the Group will also put to shareholders for approval a proposal to subdivide each of the existing issued and unissued shares of HK\$0.50 each in the capital of Yue Yuen into two shares of HK\$0.25 each, and to reduce the board lot size for trading on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) from 1,000 shares of HK\$0.50 each to 500 subdivided shares of HK\$0.25 each. The action is intended to reduce the amount of a board lot as well as to improve liquidity of trading in subdivided shares on the Stock Exchange and to enable Yue Yuen to attract more investors and broaden its shareholder base. The share subdivision proposal will be put to shareholders for approval at the annual general meeting and will be conditional on that approval.

Growth

Overall Group turnover in 2002 rose 8.9% to a record US\$1,938.6 million. Total shoe production for the year increased 14.9% to 130.4 million pairs from 113.5 million pairs in 2001.

Turnover growth in the latest fiscal year reflects the impact of the lingering customer concerns in late calendar year 2001 on orders for shipment in early calendar year 2002 followed by a resumption of stronger order flows and sales volumes.

By product categories, athletic shoes accounted for 74.9% of overall turnover in 2002 compared with 73.3% in 2001, while casual shoes accounted for 18.3% compared with 19.4% in 2001. Sole and components sales accounted for 6.8% of total turnover in the latest year versus 7.3% last year.

The Group also continued to diversify its turnover by geographical market. Modest revenue growth in the U.S. market, which accounted for 52% of turnover in 2002 versus 55% in 2001, was accompanied by more significant revenue increases in European and Asian markets. Sales to Europe totaled 27% of

turnover compared with 26% in 2001. Sales to Asia increased to 14% in 2002 from 13% in 2001. Other markets collectively accounted for 7% of turnover versus 6% in 2001.

Core Business Strategies

The Group is committed to a strategy of long-term growth based on four core business focuses: vertical integration, horizontal expansion, business opportunities in China, and logistics capabilities.

In terms of vertical integration, the Group continued to focus on opportunities to strengthen its strategic position in upstream material supplies through its acquisition of 67 companies from Pou Chen Corporation.

As for horizontally expansion, the Group continued to focus on expanding its customer base and broadening its product categories. In addition, the Group initiated measures to increase production capacity in China, Vietnam and Indonesia during the year, raising the number of production lines to 257 from 227 in 2001.

Furthermore, the Group acquired an indirect interest in Symphony Holdings Limited, a Hong Kong-based company engaged principally in the manufacturing and trading of footwear, in February 2002 through its investment in a jointly controlled entity. The transaction will also enhance the Group's performance and its business opportunities in China.

In April 2002, the Group formed a joint-venture company, SupplyLINE, to act as a Lead Logistics Provider for the sports footwear and electronics industries. By doing so, the Group is developing systems and technology solutions that shorten lead times for inbound materials and outbound products and reduce inventory levels.

Looking Forward

"Looking forward, we are confident that our strategic decisions will benefit our results and contribute to our ongoing growth and development," Yue Yuen's Chairman, Mr. Tsai Chi Neng, said.

"Economic activity is expected to remain subdued in early 2003, however, and there are challenges ahead regarding the pace of global economic growth in the coming year. In this environment, our focus will be on consolidating our gains and efficiencies associated with our vertical and horizontal expansion activities in 2002, in particular the latest acquisition in upstream businesses which will play a significant role in contributing to the Company's enlarged earnings base in 2003. We will also focus on any opportunities and endeavors that will improve our longer-term prospects in the China retail sector and the logistics space," Mr. Tsai concluded.

Yue Yuen Industrial (Holdings) Limited (SEHK stock code: 551) is the largest branded footwear manufacturer in the world, with approximately 16% market share in all of branded athletic and casual footwear. The Group is an original equipment manufacturer / original design manufacturer ("OEM / ODM") for major international name brand companies such as Nike, Adidas, Reebok, Asics, New Balance, Timberland and Rockport. Yue Yuen also produces footwear components for sale to other manufacturers.

In 1988 Yue Yuen was incorporated by the Tsai Family and has been listed on The Stock Exchange of Hong Kong Limited since 1992.

###



Yue Yuen Industrial (Holdings) Limited

Twelve Months Ended 30th September

	<u>2002</u> US \$'000	<u>2001</u> US \$'000	<u>Percent</u> <u>Change</u>
Turnover	1,938,615	1,779,656	8.9
Cost of sales	<u>(1,426,193)</u>	<u>(1,312,939)</u>	8.6
Gross profit	512,422	466,717	9.8
Other operating income	64,749	68,910	-6.0
Selling and distribution expenses	(69,252)	(64,346)	7.6
Administrative expenses	(170,104)	(166,919)	1.9
Other operating expenses	<u>(95,081)</u>	<u>(69,612)</u>	<u>36.6</u>
Profit from operations	242,734	234,750	3.4
Finance costs	(13,126)	(24,591)	-46.6
Loss on disposal of an associate	(3,956)	---	
Share of results of associates	(1,658)	(454)	265.2
Share of results of jointly controlled entities	<u>5,736</u>	<u>3,317</u>	<u>72.9</u>
Profit before taxation	229,730	213,022	7.8
Income tax expense	<u>(1,098)</u>	<u>(756)</u>	<u>45.2</u>
Profit before minority interests	228,632	212,266	7.7
Minority interests	<u>(60)</u>	<u>537</u>	<u>n.m.</u>
Net profit for the year	<u>228,572</u>	<u>212,803</u>	<u>7.4</u>
Dividends	<u>90,662</u>	<u>85,857</u>	5.6
Earnings per share			
- Basic	<u>32.3 cents</u>	<u>30.2 cents</u>	7.0
- Diluted	<u>31.7 cents</u>	<u>29.6 cents</u>	7.1
Weighted average number of ordinary shares (000)			
- Basic	707,149	705,733	
- Diluted	722,008	717,988	