



Yue Yuen Industrial (Holdings) Limited

PRESS RELEASE

Yue Yuen Announces 2003 Interim Results

Solid Turnover and Encouraging Net Profit Growth

Hong Kong, 9 June 2003 – Yue Yuen Industrial (Holdings) Limited (“the Group”, HKSE: 551) today announced its unaudited consolidated results for the six months ended 31st March 2003.

During this period, overall turnover increased by 36.6% to US\$1,241.7 million, which includes sales of finished shoes, sole and components and footwear-related material. The net profit during the period rose 37.1% to US\$151.6 million due to strong contributions from the shoe manufacturing business as well as the newly acquired upstream business.

Earnings per share rose 26% to 9.91 U.S. cents compared with 7.86 U.S. cents in the previous corresponding period, after dilution by the issue of shares for the acquisition of upstream business. The Board of Directors has resolved to declare an interim dividend of HK\$0.23 per share and a special dividend of HK\$0.37 per share.

Growth

The increase in turnover reflected the strong growth in the shoe manufacturing business as well as the maiden contributions from the upstream business acquired in October 2002. Excluding newly acquired upstream business, the Group recorded a turnover of US\$1,124.7 million in this period. This is a 23.7% increase from the US\$909.2 million recorded in the corresponding period last year. Adjusting for intra-group sales, the turnover of the upstream business totaled to US\$117 million to external customers during the period under review.



Yue Yuen Industrial (Holdings) Limited

Total Turnover by Product Categories (Excluding the Upstream Operations)

Six months ended 31st March	2003		2002		y-o-y
	US\$ million	%	US\$ million	%	% change
Athletic Shoes	825.2	73.4	695.7	76.5	18.6
Casual/Outdoor Shoes	199.4	17.7	154.1	16.9	29.4
Sports Sandals	20.5	1.8	--	--	--
Retail Sales - Shoes & Apparel	11.0	1.0	--	--	--
Sole & Components	68.6	6.1	59.4	6.6	15.5
Total Turnover	1,124.7	100.0	909.2	100.0	23.7

Total Turnover by Geographical Market (Excluding the Upstream Operations)

Six months ended 31st March	2003		2002		y-o-y
	US\$ million	%	US\$ million	%	% change
U.S.A	518.2	46.1	471.2	51.8	10.0
Canada	24.0	2.1	18.7	2.1	28.4
Europe	371.4	33.0	244.4	26.9	52.0
South America	21.0	1.9	27.8	3.1	(24.5)
Asia	166.5	14.8	125.0	13.8	33.2
Other Area	23.6	2.1	22.0	2.3	7.3
Total Turnover	1,124.7	100.0	909.1	99.9	23.7

Operations

As of March 2003, the Group operated 279 production lines (September 2002: 254 lines) located in China, Vietnam and Indonesia. During the six-month period, 25 lines were added. The capital investment made in expanding the Group's production base and other facilities as well as machinery replacement during the period amounted to US\$82.8 million. Total number of shoes produced during the period was 79.6 million pairs, an increase of 30.1% against the corresponding period last year.

In the China market, the Group has established a wholesale network of 550 distributors and over 150 retail chain stores selling branded athletic footwear and apparel in major cities in China through its subsidiaries and jointly controlled entities. For the six months ended 31st March, 2003, the business recorded a turnover of US\$22.4 million, about half of which was incorporated in the Group's turnover. With the upcoming Beijing Olympics 2008, we anticipate increasing sports sentiment and a growing demand for branded athletic footwear and apparel in China.



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Looking Forward

“We are pleased to have been recently named as one of the constituent stocks of Hang Seng Index (HSI) and to have been selected as one of Morgan Stanley Capital International (MSCI) World Index, reflecting the recognition of the Group’s dedicated effort to deliver consistent earnings growth and solid business performance,” said Mr. Tsai Chi Neng, Yue Yuen’s Chairman.

“The Group will continue to strive for further expansion in product categories and new business development. The Group will also leverage on the synergy created through the newly acquired upstream business.”

Yue Yuen Industrial (Holdings) Limited is the largest branded footwear manufacturer in the world, with approximately 16% market share in all of branded athletic and casual/outdoor footwear. The Group is an original equipment manufacturer / original design manufacturer (“OEM / ODM”) for major international brand name 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.

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Unaudited Consolidated Results For the Six months ended 31st March

	For the six months ended 31st March,	
	<u>2003</u> (unaudited) US\$'000	<u>2002</u> (unaudited) US\$'000
Turnover	1,241,714	909,199
Cost of sales	(908,169)	(666,457)
Gross profit	333,545	242,742
Other operating income	45,465	26,927
Selling and distribution expenses	(43,334)	(30,269)
Administrative expenses	(111,436)	(85,153)
Other operating expenses	(70,706)	(38,371)
Profit from operations	153,534	115,876
Finance costs	(7,856)	(6,801)
Share of results of associates	2,564	(473)
Share of results of jointly controlled entities	5,343	1,733
Profit before taxation	153,585	110,335
Income tax expense	(1,303)	(586)
Profit before minority interests	152,282	109,749
Minority interests	(647)	821
Net profit for the period	<u>151,635</u>	<u>110,570</u>
Dividends		
Final dividend paid	74,972	54,137
Interim dividend declared	47,025	36,525
Special dividend declared	75,648	-
	<u>197,645</u>	<u>90,662</u>
Earnings per share		
- Basic	<u>9.91 cents</u>	<u>7.86 cents</u>
- Diluted	<u>9.74 cents</u>	<u>7.71 cents</u>

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