



## PRESS RELEASE

### Yue Yuen Announces FY2003 Final Results

#### *Another Record Year of Growth*

(Hong Kong, 15 January 2004) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its audited consolidated results for the year ended 30th September, 2003. Turnover and net profit for fiscal year 2003 rose year-on-year by 29.4% to US\$2,509.5 million and 34.8% to US\$308.2 million respectively. Earnings per share rose 22.4% to US\$0.197 up from US\$0.161 in 2002.

The Directors have resolved to recommend the payment of a final dividend of HK\$0.46 per share compared with HK\$0.375 per share in 2002. (Interim dividend of HK\$0.23 per share in 2003 and HK\$0.20 per share in 2002). Taking into account the interim dividend and special cash dividend of HK\$0.37 per share paid, the total dividend payment for the year amounts to HK\$1.06 per share.

#### Operations

The Group achieved significant growth in turnover and net profit for fiscal year 2003 as a result of the strong full year contribution from its core footwear manufacturing operations and the upstream businesses acquired in November 2002.

Turnover of the core footwear businesses, excluding the contributions from the upstream businesses, was US\$2,265.1 million for the year, an increase of 16.8% over 2002. Sales by the upstream businesses to unaffiliated third parties amounted to US\$244.3 million in fiscal year 2003, accounting for 9.7% of the Group’s total turnover.

Total shoe production during the period amounted to 157.7 million pairs, an increase of 20.9% compared with the same period the previous year. At the end of fiscal year 2003, the Group operated a total of 290 production lines, an increase of 36 lines over the previous year.

#### **Total Turnover by Product Category**

Year ended 30th September	2003 <sup>(1)</sup>		2002		<i>y-o-y</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	<i>% change</i>
Athletic Shoes	1,630.4	65.0	1,451.5	74.9	12.3
Casual/Outdoor Shoes	431.9	17.2	355.2	18.3	21.6
Sports Sandals	29.1	1.2	--	--	--
Soles & Components	378.9	15.1	128.7	6.6	194.4
Apparel	13.5	0.5	--	--	--
Retail Sales - Shoes & Apparel	25.7	1.0	3.2	0.2	703.1
<b>Total Turnover</b>	<b>2,509.5</b>	<b>100.0</b>	<b>1,938.6</b>	<b>100.0</b>	<b>29.4</b>

(1) The consolidated turnover of the Group for the year ended 30th September, 2003 includes sales by the upstream subsidiaries during that period. Turnover at the upstream subsidiaries, after adjusting for intra-Group sales, amounted to US\$244.3 million for the year ended 30th September 2003.



Athletic shoes remained the key product, accounting for 65% of total turnover. Growth in casual/outdoor shoes category remained strong, rising 21.6% year-on-year in 2003. The Group expanded its product mix, adding sandals as a new product category, which accounted for 1.2% of turnover. The US remained the Group's biggest market, accounting for 41.5% of total turnover. Sales to Europe and Asia recorded encouraging year-on-year growth, increasing 43.1% to US\$753.9 million and 113.4% to US\$570.7 million respectively in 2003.

**Total Turnover by Geographical Market**

Year ended 30th September	2003 <sup>(1)</sup>		2002		<i>y-o-y % change</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	
U.S.A.	1,041.5	41.5	1,001.0	51.6	4.0
Canada	43.5	1.7	39.5	2.0	10.0
Europe	753.9	30.0	527.0	27.2	43.1
South America	51.1	2.0	57.1	3.0	(10.5)
Asia	570.7	22.8	267.4	13.8	113.4
Other Areas	48.8	2.0	46.6	2.4	4.6
<b>Total Turnover</b>	<b>2,509.5</b>	<b>100.0</b>	<b>1,938.6</b>	<b>100.0</b>	<b>29.4</b>

(1) The consolidated turnover of the Group for the year ended 30th September, 2003 includes sales by the upstream subsidiaries during that period. Turnover at the upstream subsidiaries, after adjusting for intra-Group sales, amounted to US\$244.3 million for the year ended 30th September 2003.

**Looking Forward**

Looking ahead to the next 12 months, the Group's focus will continue to be on its core business as it progresses along its defined growth strategy in the four key areas of horizontal expansion, vertical integration, China business opportunities and logistics capabilities. To expedite the exploration of new business opportunities, the Group is actively looking for joint venture opportunities as well as for companies that complement its existing interests and fit in with its stated growth strategy.

Mergers and acquisitions will remain an integral part of that strategy, with the focus on sports apparel and accessory manufacturing, footwear-related businesses and retail operations in China. The capital raised through the recent issue of US\$300 million zero-coupon convertible bonds will be used to pay down part of the Group's borrowings and to enhance its ability to expand through appropriate mergers and acquisitions. Elsewhere, the process of disposing of non-core businesses to allow the Group to better utilize its assets and improve the return to shareholders will continue.

The second half of 2003 saw global economic growth shake off the dust of the first half and started to gather pace as the year ended. The momentum that has been built up is expected to be carried forward into 2004. The Group will benefit from the gradual pick-up in consumer expenditure and the opening up of new markets. However, there may be pressure on average selling prices, and the Group will also closely monitor fluctuations in raw material prices.

“As a new year begins, the Group is opening a new chapter in its history, one that will see us pushing ahead to explore new business opportunities,” said Mr. Tsai Chi Neng, Chairman of the Group. “The Group has both the expertise and the experience to meet the keen competition it will face in both new areas of business and in the ever-changing global business environment.”



## **Consolidated Income Statement**

*For the Year ended 30th September, 2003*

	For the Year ended 30th September,	
	2003	2002
	(Audited)	(Audited)
	US\$'000	US\$'000
Turnover	2,509,477	1,938,615
Cost of Sales	<u>(1,855,421 )</u>	<u>(1,426,193 )</u>
Gross Profit	654,056	512,422
Other Operating Income	103,176	64,749
Selling and Distribution Expenses	(99,147 )	(69,252 )
Administrative Expenses	(227,713 )	(170,104 )
Other Operating Expenses	<u>(127,581 )</u>	<u>(95,081 )</u>
Profit from Operations	302,791	242,734
Finance Costs	(15,496 )	(13,126 )
Gain on Disposal of a Subsidiary	879	----
Gain (loss) on Disposal of an Associate	2,757	(3,956 )
Share of Results of Associates	4,596	(1,658 )
Share of Results of Jointly Controlled Entities	<u>16,316</u>	<u>5,736</u>
Profit before Taxation	311,843	229,730
Income Tax Expense	<u>(1,904 )</u>	<u>(1,098 )</u>
Profit before Minority Interests	309,939	228,632
Minority Interests	<u>(1,692 )</u>	<u>(60 )</u>
Net Profit for the Period	<u>308,247</u>	<u>228,572</u>
Earnings Per Share (Basic, US cents)	<u>19.7 cents</u>	<u>16.1 cents</u>
Earnings Per Share (Diluted, US cents)	<u>19.4 cents</u>	<u>15.8 cents</u>

**Yue Yuen Industrial (Holdings) Ltd.**

[www.yueyuen.com](http://www.yueyuen.com)

Terry Ip

Investor Relations Director

Tel: 2370 6421

Fax: 2370 3547

E-mail: [terry.ip@yueyuen.com](mailto:terry.ip@yueyuen.com)