



**PRESS RELEASE**

**Yue Yuen Announces 2007 Interim Results**

***Increased contributions from China retailing***

(Hong Kong, 21 June 2007) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the six months ended 31st March, 2007. The Group’s turnover and profit attributable to equity holders of the company increased year-on-year by respectively 10.6% to US\$1,904.8 million and 0.8% to US\$169.6 million. Stripping off the accounting adjustments on the two outstanding convertible bonds, profit attributable to equity holders of the company would have increased by 9.6% year-on-year to US\$173.6 million.

The Board of Directors has resolved to recommend payment of an interim dividend of HK\$0.31 per share, an increase of 6.9% from HK\$0.29 per share last year.

**Operations**

During the period under review, the Group recorded stable sales growth for the footwear manufacturing operation whereas the growth momentum of the Greater China wholesale and retail operations remained strong. The total volume of shoes produced rose by 14.9% year-on-year to 111 million pairs, thanks to the support of our existing customers and orders from new customers. To supplement the business growth, the Group has added 14 new production lines over the last six months, bringing the total number of lines to 387 by the end of March 2007. The Group is committed to improve production efficiency in light of the challenges from increase in wages and currency fluctuations.

The sales contributions from the wholesale and retail operations in the Greater China region continued to increase and accounted for about 10% of the Group’s total turnover for the period under review. The revenue from the wholesale and retail operations jumped 37.0% year-on-year to US\$189.0 million, which was mainly derived from the Group’s 820 self-run and 430 franchised stores/counters, respectively, as well as the wholesale operations in the Greater China region. In addition, the Group’s associated companies operated about 950 self-run and franchised stores/counters. The Group has accelerated investment in the operations through organic growth and strategic acquisitions. As a result, the total number of self-run and franchised stores/counters in China under the Group and its affiliates stood at about 2,200 by the end of March 2007.

**Total Turnover by Product Category**

Six months ended 31st March	2007		2006		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	1,099.7	57.8	1,017.7	59.1	8.1
Casual/Outdoor Shoes	331.8	17.4	293.9	17.1	12.9
Sports Sandals	42.3	2.2	34.4	2.0	23.0
Soles & Components	224.5	11.8	213.9	12.4	5.0
Retail Sales - Shoes & Apparel	189.0	9.9	138.0	8.0	37.0
Others	17.5	0.9	24.3	1.4	(28.0)
<b>Total Turnover</b>	<b>1,904.8</b>	<b>100.0</b>	<b>1,722.2</b>	<b>100.0</b>	<b>10.6</b>



Footwear manufacturing remained the Group's major operation accounting for 77.4% of total sales, whereas soles and components accounted for 11.8% of total sales. Retail sales accounted for 9.9% of total sales, compared to 8.0% last year. With the surge in retail sales, Asia has become the second largest market for the Group and the turnover distribution among three major markets, the USA, Europe and Asia, has become more balanced.

#### Total Turnover by Geographical Market

Six months ended 31st March	2007		2006		<i>y-o-y % change</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	
U.S.A.	681.2	35.8	648.7	37.7	5.0
Canada	34.6	1.8	34.4	2.0	0.6
Europe	467.5	24.5	448.3	26.0	4.3
South America	52.6	2.8	39.3	2.3	33.7
Asia	613.1	32.2	502.9	29.2	21.9
Other Areas	55.8	2.9	48.6	2.8	14.7
<b>Total Turnover</b>	<b>1,904.8</b>	<b>100.0</b>	<b>1,722.2</b>	<b>100.0</b>	<b>10.6</b>

#### Looking Forward

In the first two months of the third quarter of FY2007 (April and May of 2007), the Group's total turnover amounted to approximately US\$713.8 million, an increase of 6.6% year-on-year. For the remainder of the year, the sales growth for the footwear and China retail operations will remain on track.

In tandem with the business growth, the Group will continue to expand production facilities in its three existing production bases, China, Vietnam and Indonesia. Also, the Group will spearhead the investment in the China wholesale and retail operations and the contributions from these operations will become more significant.

"The Group has demonstrated flexibility in production amid the current rapidly changing environment and its commitment in China wholesale and retail operations will bode well for further growth," said Mr. Tsai Chi Neng, Chairman of the Group.



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

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**Condensed Consolidated Income Statement**

*For the six months ended 31st March, 2007*

	For the six months ended 31st March,	
	2007 (Unaudited) US\$'000	2006 (Unaudited) US\$'000
Turnover	1,904,811	1,722,234
Cost of sales	<u>(1,469,103)</u>	<u>(1,319,928)</u>
Gross profit	435,708	402,306
Other income	75,424	63,276
Selling and distribution expenses	(83,041)	(71,744)
Administrative expenses	(155,349)	(153,505)
Other expenses	(82,285)	(83,993)
Net (loss) gain on derivative financial instruments and convertible bonds	(3,654)	10,182
Impairment loss on amount due from an associate	--	(2,600)
Finance costs	(23,887)	(18,594)
Share of results of associates	9,319	15,019
Share of results of jointly controlled entities	<u>8,195</u>	<u>14,451</u>
Profit before taxation	180,430	174,798
Income tax expense	<u>(7,018)</u>	<u>(4,069)</u>
Profit for the period	<u>173,412</u>	<u>170,729</u>
Profit attributable to:		
Equity holders of the Company	169,585	168,251
Minority interests	<u>3,827</u>	<u>2,478</u>
	<u>173,412</u>	<u>170,729</u>
Dividends	<u>108,630</u>	<u>100,191</u>
Earnings per share		
-Basic	<u>US10.2 cents</u>	<u>US10.4 cents</u>
-Diluted	<u>N/A</u>	<u>US10.3 cents</u>