



**PRESS RELEASE**

**Yue Yuen Announces FY2004 Nine-Month Results**

*Improving Order Flow and Increase in ASP*

(Hong Kong, 22nd September 2004) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the third quarter and the nine months ended 30th June, 2004. The turnover and net profit for the third quarter of fiscal year 2004 rose 15.5% year on year to US\$768.0 million and 6.6% to US\$93.2 million respectively.

For the nine-month period ended 30 June, 2004, the total turnover and net profit increased by 6.3% to US\$2,026.4 million and 5.2% to US\$251.5 million respectively compared with the corresponding period last year. Total shoe production during the period amounted to 125.9 million pairs, an increase of 3.8% compared with the same period last year.

The Group’s turnover growth gathered momentum in the third quarter mainly due to a pick up in its core footwear manufacturing business. The average selling price (ASP) recorded a positive year on year growth in the third quarter, reflecting the increase in raw material costs and the change in product mix. The Group’s gross margin stabilized despite the fluctuation in raw material prices. The China retail operation recorded a 213% year on year growth to US\$49.5 million for the nine months ended 30th June, 2004.

During the period under review, the Group continued its horizontal diversification by making two strategic investments. Firstly, the Group formed a joint venture called Yuen Thai Industrial Co. Limited, which is engaged in the manufacturing of sports apparel, with Luen Thai Holdings Limited (Luen Thai) and also took a 9.9% stake in Luen Thai. Secondly, the Group acquired a 30% stake in Prosperous Industrial (Holdings) Limited, an OEM/ODM for sports bags, backpacks and luggage.

**Total Turnover by Product Category**

Nine months ended 30th June	2004		2003		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	1,268.0	62.6	1,254.5	65.8	1.1
Casual/Outdoor Shoes	351.1	17.3	311.2	16.3	12.8
Sports Sandals	33.4	1.6	26.1	1.4	27.9
Soles & Components	304.1	15.0	291.8	15.3	4.2
Retail Sales - Shoes & Apparel	49.5	2.5	15.8	0.8	212.9
Others	20.3	1.0	7.5	0.4	171.5
<b>Total Turnover</b>	<b>2,026.4</b>	<b>100.0</b>	<b>1,906.9</b>	<b>100.0</b>	<b>6.3</b>



## Yue Yuen Industrial (Holdings) Limited

### Total Turnover by Geographical Market

Nine months ended 30th June	2004		2003		y-o-y % change
	US\$ millions	%	US\$ millions	%	
U.S.A.	812.5	40.1	773.2	40.5	5.1
Canada	36.9	1.8	34.9	1.8	5.7
Europe	578.7	28.5	593.5	31.1	(2.5)
South America	41.7	2.1	35.3	1.9	18.3
Asia	512.1	25.3	435.9	22.9	17.5
Other Areas	44.5	2.2	34.1	1.8	30.8
<b>Total Turnover</b>	<b>2,026.4</b>	<b>100.0</b>	<b>1,906.9</b>	<b>100.0</b>	<b>6.3</b>

### Looking Forward

The Group's turnover picked up in the third quarter and the growth momentum will continue into the fourth quarter. Moreover, the ASP will continue to rise, underpinning the revenue growth for the remainder of the year.

On the operations side, the Group will continue to improve its efficiency for alleviating the impact of fluctuation in raw material prices, as witnessed by the lower percentage of selling and administrative expenses to revenue, compared with the first six months of the fiscal year. Strong pick up of shipments to the U.S.A. in the second half, reverted the declining trend in the first half. In addition, revenue from wholesale/retail sales in China and the Group's subsidiary Pro Kingtex, which is engaged in sports apparel manufacturing, will accelerate in the second half of the fiscal year as compared with the first half.

"Yue Yuen is well positioned in its core footwear manufacturing business and will continue to expand its production facilities particularly in Vietnam. Also, its new ventures in sports apparel and accessory manufacturing, have delivered an encouraging growth since their incorporation, providing a solid foundation for the Group's future growth," said Mr. Tsai Chi Neng, Chairman of the Group.

### Yue Yuen Industrial (Holdings) Limited

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## Consolidated Income Statement

For the nine months ended 30th June, 2004

	Nine months ended	
	30th June,	
	2004	2003
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Turnover	2,026,383	1,906,895
Cost of Sales	<u>(1,532,095 )</u>	<u>(1,399,418 )</u>
Gross Profit	494,288	507,477
Other Operating Income	74,790	71,916
Gain on Disposal of Investment Securities	26,330	----
Selling and Distribution Expenses	(79,574 )	(67,915 )
Administrative Expenses	(172,659 )	(167,859 )
Other Operating Expenses	<u>(100,336 )</u>	<u>(102,750 )</u>
Profit from Operations	242,839	240,869
Finance Costs	(9,176 )	(11,681 )
Share of Results of Associates	4,195	3,780
Share of Results of Jointly Controlled Entities	<u>19,147</u>	<u>9,110</u>
Profit before Taxation	257,005	242,078
Income Tax Expense	<u>(2,535 )</u>	<u>(1,805 )</u>
Profit before Minority Interests	254,470	240,273
Minority Interests	<u>(2,995 )</u>	<u>(1,222 )</u>
Net Profit for the Period	<u>251,475</u>	<u>239,051</u>