



PRESS RELEASE

Yue Yuen Announces FY2005 Nine-Month Results

Stable Turnover growth

(Hong Kong, 16th September 2005) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the third quarter and nine months ended 30th June, 2005. Turnover for the third quarter of fiscal year 2005 rose 11.9% to US\$859 million and net profit declined 9.9% to US\$84 million year on year respectively.

For the nine-month period ended 30 June, 2005, total turnover increased by 15.3% to US\$2,337 million and net profit fell by 6% to US\$236 million, respectively compared with the same period last year. If the profit of disposal of investment securities last year were not taken into account, the normal net profit would have increased by 5% year-on-year. Total shoe production during the period amounted to 141.9 million pairs, an increase of 12.7% year-on-year.

The Group’s turnover growth in the third quarter of fiscal year 2005 remained steady. Order flow from major customers continued to be stable. However, the Group’s gross margins were affected by increases in production costs stemming from continual increases in material costs, upward reversion of wages in China and increases in energy costs. The average unit price in the third quarter has slightly increased as compared with the first half of this fiscal year.

Total Turnover by Product Category

Nine months ended 30th June	2005		2004		<i>y-o-y % change</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	
Athletic Shoes	1,446.6	61.9	1,268.0	62.6	14.1
Casual/Outdoor Shoes	406.8	17.4	351.1	17.3	15.9
Sports Sandals	38.9	1.7	33.4	1.6	16.5
Soles & Components	310.4	13.3	304.1	15.0	2.1
Retail Sales - Shoes & Apparel	109.0	4.6	49.5	2.5	120.3
Others	25.2	1.1	20.3	1.0	24.2
Total Turnover	2,336.9	100.0	2,026.4	100.0	15.3



Total Turnover by Geographical Market

Nine months ended 30th June	2005		2004		<i>y-o-y</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	<i>% change</i>
U.S.A.	915.7	39.2	812.5	40.1	12.7
Canada	44.0	1.9	36.9	1.8	19.4
Europe	652.7	27.9	578.7	28.5	12.8
South America	47.3	2.0	41.7	2.1	13.4
Asia	621.1	26.6	512.1	25.3	21.3
Other Areas	56.1	2.4	44.5	2.2	25.9
Total Turnover	2,336.9	100.0	2,026.4	100.0	15.3

Looking Forward

The Group's accumulated turnover for the first eleven months of fiscal year 2005 amounted to approximately US\$2,886 million, an increase of 16% year-on-year. The revenue growth momentum remains strong in the fourth quarter of fiscal year 2005 despite on a high base of comparison. The order flow for the remainder of the year will remain healthy. However, high crude oil prices and fluctuation in prices of petrochemical products will continue to exert pressure on the Group's production costs.

"Despite the current challenging operating environment, the Group will continue to provide value-added services to customers in order to capture a larger market share. Proactive effort has been put in to improve operating efficiency and rationalize costs to alleviate pressure from rising production cost. Moreover, the Group is committed to the continual horizontal expansion into different product categories and potential acquisitions will be made to benefit the Group's operation as a whole." said Mr. Tsai Chi Neng, Chairman of the Group.

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Consolidated Income Statement

For the nine months ended 30 June, 2005

	Nine months ended	
	30 June,	
	2005	2004
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Turnover	2,336,913	2,026,383
Cost of sales	<u>(1,793,557)</u>	<u>(1,532,095)</u>
Gross profit	543,356	494,288
Other operating income	81,169	74,790
Gain on disposal of investment securities	-----	26,330
Selling and distribution expenses	(94,137)	(79,574)
Administrative expenses	(182,345)	(172,659)
Other operating expenses	<u>(121,312)</u>	<u>(100,336)</u>
Profit from operations	226,731	242,839
Finance costs	(11,765)	(9,176)
Share of results of associates	12,443	4,195
Share of results of jointly controlled entities	<u>15,618</u>	<u>19,147</u>
Profit before taxation	243,027	257,005
Income tax expense	<u>(3,832)</u>	<u>(2,535)</u>
Profit before minority interests	239,195	254,470
Minority interests	<u>(2,859)</u>	<u>(2,995)</u>
Net profit for the period	<u>236,336</u>	<u>251,475</u>