



**PRESS RELEASE**

**Yue Yuen Announces FY2006 Nine-Month Results**

***Solid Growth in China Retail Operations***

(Hong Kong, 20 September 2006) – Yue Yuen Industrial (Holdings) Limited (“the Group”, stock code: 551) today announced its unaudited consolidated results for the nine months ended 30th June, 2006. Total turnover rose year on year by 17.2% to approximately US\$2,739 million and profit attributable to equity holders of the Company increased year on year by 17.2% to approximately US\$266 million, respectively. Total footwear production volume for the nine-month period amounted to 150.8 million pairs, an increase of 6.3% compared with the corresponding period last year.

During the period under review, the Group recorded sustained sales growth in light of the increase of its footwear manufacturing business and strong contributions from its Greater China wholesale and retail operations. The operating environment for the manufacturing business was affected by buoyant material prices and rising labor costs. Nonetheless, total sales from China wholesale and retail operations recorded a 100% increase year on year and this helps offset some of the uncertainties in the overall increase in operating costs.

**Total Turnover by Product Category**

Nine months ended 30th June	2006		2005		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	1,621.1	59.2	1,446.6	61.9	12.1
Casual/Outdoor Shoes	463.4	16.9	406.8	17.4	13.9
Sports Sandals	40.3	1.5	38.9	1.7	3.6
Soles & Components	355.4	13.0	310.4	13.3	14.5
Retail Sales - Shoes & Apparel	217.9	7.9	109.0	4.6	99.9
Others	41.2	1.5	25.2	1.1	63.5
<b>Total Turnover</b>	<b>2,739.3</b>	<b>100.0</b>	<b>2,336.9</b>	<b>100.0</b>	<b>17.2</b>

**Total Turnover by Geographical Market**

Nine months ended 30th June	2006		2005		y-o-y % change
	US\$ millions	%	US\$ millions	%	
U.S.A.	1,025.7	37.5	915.7	39.2	12.0
Canada	55.3	2.0	44.0	1.9	25.7
Europe	721.2	26.3	652.7	27.9	10.5
South America	65.4	2.4	47.3	2.0	38.3
Asia	795.5	29.0	621.1	26.6	28.1
Other Areas	76.2	2.8	56.1	2.4	35.8
<b>Total Turnover</b>	<b>2,739.3</b>	<b>100.0</b>	<b>2,336.9</b>	<b>100.0</b>	<b>17.2</b>



## **Looking Forward**

In July and August of 2006, the aggregate sales amounted to about US\$616 million, which represented an increase of 12.2% year on year. The business will remain stable for the rest of the year while the Group's capacity expansion plan for its three existing production bases is now on schedule. The Group is committed to further expanding its China wholesale and retail sales network heading towards the target of establishing at least 1,000 shops/counters by 2008.

Mr. Tsai Chi Neng, Chairman of the Group, said: "With the solid sales growth delivered in the first nine months of the year, the Group is well positioned to carry forward its long term growth strategy in both the manufacturing operations as well as its retail operations in China."

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

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## Consolidated Income Statement

For the nine months ended 30th June, 2006

	For the nine months ended 30th June,	
	2006 (Unaudited) US\$'000	2005 (Unaudited & restated) US\$'000
Turnover	2,739,284	2,336,913
Cost of sales	<u>(2,108,690)</u>	<u>(1,793,557)</u>
Gross profit	630,594	543,356
Other income	102,593	81,169
Selling and distribution expenses	(109,849)	(94,137)
Administrative expenses	(228,755)	(182,345)
Other expenses	(131,440)	(122,272)
Net gain on derivative financial instruments and convertible bonds	8,762	-----
Impairment loss on amount due from an associate	(2,600)	-----
Finance costs	(29,612)	(19,976)
Share of results of associates	21,265	11,962
Share of results of jointly controlled entities	<u>19,865</u>	<u>15,156</u>
Profit before taxation	280,823	232,913
Income tax expense	<u>(9,126)</u>	<u>(2,889)</u>
Profit for the period	<u>271,697</u>	<u>230,024</u>
Attributable to:		
Equity holders of the Company	266,297	227,165
Minority interests	<u>5,400</u>	<u>2,859</u>
	<u>271,697</u>	<u>230,024</u>