



PRESS RELEASE

Yue Yuen Announces Final Results for FY2004

Sales increase despite challenging environment

(Hong Kong, 18 January 2005) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its audited consolidated results for the year ended 30th September, 2004. Turnover rose 8.4% year-on-year to US\$2,720 million and net profit declined 1.6% year-on-year to US\$303 million for the fiscal year 2004. Earnings per share dropped 4.6% to US\$0.188, from US\$0.197 in 2003.

The Directors have recommended payment of a final dividend of HK\$0.46 per share; this compares with HK\$0.46 per share in 2003. (An interim dividend of HK\$0.25 per share was paid in 2004 and HK\$0.23 per share plus a special dividend of HK\$0.37 per share in 2003). Including the interim dividend, the total dividend payment for the year amounts to HK\$0.71 per share.

Operations

The Group achieved a satisfactory increase in turnover, although profitability was affected by rises in raw material costs. The operating environment remained difficult throughout the year. The surge in crude oil and commodity prices exerted substantial pressure on the costs of petrochemical derivatives, the key components in the manufacture of midsole and outsole of shoes. The volatility in the raw materials market last year was something that had not been seen for at least five years.

Fluctuations in raw material prices affected the Group’s gross profit margin, due to the time lag in reflecting to the new pricing and resistance levels in the market. The increase in average selling price (ASP) in the second half of fiscal year 2004 was not enough to prevent an overall reduction in the margin during the full year. The jump in these material costs also had an impact on the Group’s upstream businesses, which, by their very nature, were more exposed to the volatility in the raw materials market. Elsewhere, utility costs rose following the surge in crude oil prices and direct labor costs climbed due to an overall increase in salary levels in the Pearl River Delta area. At the same time, staff recruitment was not an issue for the Group – despite a general labor shortage in the Pearl River Delta region – due to the good working environment and fringe benefits that the Group offers.

Total Turnover by Product Category

Year ended 30th September	2004		2003		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	1,665.1	61.2	1,630.4	65.0	2.1
Casual/Outdoor Shoes	502.3	18.5	431.9	17.2	16.3
Sports Sandals	38.6	1.4	29.1	1.2	32.5
Soles & Components	405.8	14.9	378.9	15.1	7.1
Retail Sales - Shoes & Apparel	74.2	2.7	25.7	1.0	188.1
Others	34.0	1.3	13.5	0.5	152.5
Total Turnover	2,720.0	100.0	2,509.5	100.0	8.4



Total shoe production during the fiscal year amounted to 167.2 million pairs, an increase of 6% compared with the previous year. At the end of fiscal year 2004, the Group maintained 309 production lines, an increase of 19 lines over 2003.

The Group's major product, athletic shoes accounted for 61.2% of total turnover, slightly lower than in the previous year. The casual/outdoor shoes and sports sandals categories saw rises in their contribution to revenue, of 16.3% and 32.5% year-on-year in 2004, respectively. Soles and components, which includes the upstream businesses acquired in 2002, reported 7.1% year-on-year growth in turnover. China retail sales jumped to US\$74.2 million in 2004, as a result of continued expansion of the Group's retail network and a more than 30% increase in year-on-year same store sales. Sales to the U.S. grew 7.7% in 2004 but there was a decline in sales to Europe.

Total Turnover by Geographical Market

Year ended 30th September	2004		2003		y-o-y
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	<i>% change</i>
U.S.A.	1,121.3	41.2	1,041.5	41.5	7.7
Canada	45.3	1.7	43.5	1.7	4.2
Europe	734.3	27.0	753.9	30.0	(2.6)
South America	56.0	2.0	51.1	2.0	9.5
Asia	701.1	25.8	570.7	22.8	22.9
Other Areas	62.0	2.3	48.8	2.0	27.1
Total Turnover	2,720.0	100.0	2,509.5	100.0	8.4

Looking Ahead

The coming year is not without challenges. The focus for the Group remains the core manufacturing business. However, it will seek opportunities to expand horizontally and add new product categories, and to grow vertically to provide a fully integrated supply chain service to customers. The Group will put additional resources into developing its wholesale and retail sales operation in the Greater China region to strengthen its network there.

The surge in spending power on sporting goods in China will provide an excellent opportunity for the Group to expand its retail network there. It is expected that there will be more sponsorship of international sports events in China, and international brands will put greater effort into exploring the country's retail market. The Group has built up one of the largest sporting goods retail networks in Beijing ahead of the 2008 Olympic Games. Currently, we have more than 300 shops/counters and plan to have more than 1,000 operating in China by the time the Games begin.

Our business continues to grow recording a 15% year-on-year increase in sales in the first quarter of fiscal year 2005. However, raw material prices are expected to continue to fluctuate, and so the Group will be monitoring the situation closely.

"I believe the Group is well positioned to meet the keen competition we will face in both our core manufacturing sector and the new business segments. We see the coming year as a period in which to consolidate existing operations and to expand the new horizons in order to build a solid platform for future growth," said Group Chairman Mr. Tsai Chi Neng.



Consolidated Income Statement

For the Year ended 30th September, 2004

	For the Year ended 30th September,	
	2004	2003
	(Audited)	(Audited)
	US\$'000	US\$'000
Turnover	2,720,027	2,509,477
Cost of Sales	<u>(2,070,732)</u>	<u>(1,855,421)</u>
Gross Profit	649,295	654,056
Other Operating Income	128,815	103,176
Selling and Distribution Expenses	(110,696)	(99,147)
Administrative Expenses	(234,654)	(227,713)
Other Operating Expenses	<u>(140,562)</u>	<u>(127,581)</u>
Profit from Operations	292,198	302,791
Finance Costs	(11,040)	(15,496)
Gain on Disposal of a Subsidiary	----	879
Gain on Disposal of an Associate	----	2,757
Share of Results of Associates	6,728	4,596
Share of Results of Jointly Controlled Entities	<u>23,111</u>	<u>16,316</u>
Profit before Taxation	310,997	311,843
Income Tax Expenses	<u>(3,352)</u>	<u>(1,904)</u>
Profit before Minority Interests	307,645	309,939
Minority Interests	<u>(4,308)</u>	<u>(1,692)</u>
Net Profit for the Year	<u>303,337</u>	<u>308,247</u>
Earnings Per Share (Basic, US cents)	<u>18.8 cents</u>	<u>19.7 cents</u>
Earnings Per Share (Diluted, US cents)	<u>18.7 cents</u>	<u>19.4 cents</u>

Yue Yuen Industrial (Holdings) Ltd.

www.yueyuen.com

Terry Ip

Investor Relations Director

Tel: 3183 0821

Fax: 3183 0808

E-mail: terry.ip@yueyuen.com