



PRESS RELEASE

Yue Yuen Announces FY2008 Results

Riding on the success of the Beijing Olympics

(Hong Kong, 13 January 2009) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its audited consolidated results for the year ended 30th September, 2008. Total turnover rose 19.6% year on year to approximately US\$4,919.9 million, and net profit attributable to equity holders of the Company increased 30.4% year on year to approximately US\$468.7 million. Basic earnings per share increased by 30.6% year on year to US\$28.2 cents. Excluding non-recurring operating items, recurrent net profit attributable to equity holders increased 15.9% year on year to approximately US\$391.2 million.

The Directors have resolved to recommend the payment of a final dividend of HK\$0.55 per share, which compares with HK\$0.53 per share in FY2007. (Interim dividend in FY2008: HK\$0.34 per share vs FY2007: HK\$0.31 per share). The total dividend for the year amounts to HK\$0.89 per share, an increase of 5.95% compared with HK\$0.84 cents in FY2007.

Operations

The Group recorded steady growth in its footwear manufacturing operation, with turnover from the key product category, athletic shoes growing by 19.2%. There was moderate growth in the total number of shoes produced, which at 255.1 million pairs represented a rise of 9.9% compared with the previous year. This growth was principally the result of more orders from existing customers. During the year under review, the Group added 42 new production lines, evenly spread among the three production bases (mainland China, Vietnam and Indonesia), taking the total number of lines to 440.

Total Turnover by Product Category

For the year ended 30th Sept	2008		2007		y-o-y
	US\$ millions	%	US\$ millions	%	% change
Athletic Shoes	2,781.4	56.5	2,333.8	56.7	19.2
Casual/Outdoor Shoes	711.7	14.5	713.2	17.3	(0.2)
Sports Sandals	59.0	1.2	62.5	1.5	(5.6)
Soles & Components	466.9	9.5	466.9	11.4	0.0
Retail Sales - Shoes & Apparel	849.0	17.3	488.4	11.9	73.8
Others	52.0	1.0	49.3	1.2	5.5
Total Turnover	4,920.0	100.0	4,114.1	100.0	19.6

Retail sales of the Group grew by 73.8% year-on-year to US\$849.0 million. This was due to the strong growth in the retail sales operations in the Greater China Region. The total number of directly operated counters/stores in China under the Group stood at about 4,728 by the end of September 2008. In addition, there were about 2,976 distributors in the Greater China region for the Group’s wholesale operations for the three licensee brands.



Total Turnover by Geographical Market

For the year ended 30th Sept	2008		2007		y-o-y
	<i>US\$ millions</i>	<i>%</i>	<i>US\$ millions</i>	<i>%</i>	<i>% change</i>
U.S.A.	1,521.8	30.9	1,441.4	35.0	5.6
Canada	73.7	1.5	69.2	1.7	6.5
Europe	1,160.1	23.6	987.7	24.0	17.5
South America	163.5	3.3	121.5	3.0	34.6
Asia	1,877.0	38.2	1,383.8	33.6	35.6
Other Areas	123.9	2.5	110.5	2.7	12.1
Total Turnover	4,920.0	100.0	4,114.1	100.0	19.6

Steady growth in turnover was experienced in each geographical market, and the distribution of sales was more balanced among the three major markets – Asia, the USA and Europe. Turnover growth was particularly strong in the emerging market regions such as Asia and South America with surging retail sales in the greater China region being the main contributor to turnover growth in Asia.

Although manufacturers in the past year have been facing severe head wind from the global economy, the Group managed to maintain its growth and profit margins due to its key strengths: economies of scale in manufacturing, solid factory management skills and a fast growing retail operation in the Greater China region. On average, associate companies and jointly controlled entities have been more successful in their business plans to manage the challenges in the business environment. In many cases their organizational restructuring and resetting of their business directions was complete, allowing them to once again pursue a path of profitability and thus contribute to the Group's bottom line performance.

Looking Forward

Turnover grew in the first quarter of fiscal 2009 due to strong sales of our athletic customers' products and brand name customers placing more orders to key manufacturers for their product supplies. For the three months ended December 2008, the Group recorded 21.0% year-on-year growth in turnover to approximately US\$1,354.9 million.

The Group expects to see moderate growth going forward in light of the dampened consumer spending arising from the economic recession in the mature countries such as the USA, Japan and Europe. The economic recession is a product of the credit crisis brought about by the collapse of the sub-prime mortgage market in USA. This credit crisis has also made banks reluctant to lend to small and medium sized businesses which will lead to further contraction in manufacturing capacity. As a consequence, financially strong manufacturers like the Group will have the opportunity to receive more orders from brand name customers.

Pressures on the cost side have abated, as seen with oil prices falling significantly and future increases in the minimum wages for China expected to be at a considerably slower pace. Given the weak global economy, the PRC government will likely want the Reminbi to remain stable around the present level: this exchange rate stability will benefit manufacturing activities in the PRC.



Turnover from the China wholesale and retail sales operations will grow at a slower pace, as the emphasis will now be placed on increasing operating efficiency and in enhancing relationships with the various regional joint venture partners operating throughout China. The Group has built up an extensive sporting goods distribution network throughout the mainland, selling products for international as well as local sporting goods brands. The success of the Olympics Games in Beijing this August 2008 should continue to bolster the sales of athletic shoes globally which in turn will benefit the Group.

The Group successfully spun-off and listed Pou Sheng International (Holdings) Limited and its subsidiaries on the main board of the Stock Exchange of Hong Kong Limited on 6th June 2008. The retail business along with the one factory that manufactures for the domestic brand names, have been placed inside the Pou Sheng Group. The rationale and benefits of the spin-off are numerous: to allow the retail business grow without constraints; to increase management focus and motivation; and to enable the Group to showcase its success in investing in new businesses.

The Group achieved solid growth last year and is expecting moderate growth for the coming year. The strength of consumer spending for sportswear products in China and the stable order flow for footwear manufacturing should support overall growth. There will be challenges arising from the weak economic environment and the tightening of bank credit. However, the Group is well positioned to weather these challenges. The Group has close relationships with the leading brand name footwear companies. The Group has been a listed company for 16 years, is a constituent of the Hang Seng Index and has relationships with many leading international banks. In November 2008, the Group secured a US\$ 150 million bank loan facility with market competitive terms.

“The Group is well positioned in the areas of manufacturing and retailing in the Greater China Region,” said Mr. Tsai Chi Neng, Chairman of the Group. “We expect our business will prosper despite the weakness in the global economy and will continue our efforts to enhance the value of the Group for our shareholders.”

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Consolidated Income Statement

For the year ended 30th September, 2008.

	For the year ended 30th September,	
	2008 (audited) US\$'000	2007 (audited) US\$'000
Turnover	4,919,937	4,114,090
Cost of sales	<u>(3,729,539)</u>	<u>(3,143,553)</u>
Gross profit	1,190,398	970,537
Other income	170,733	100,376
Net gain on deemed disposal of partial interest of subsidiaries	123,459	
Net increase in fair value of investment properties	2,477	4,530
Fair value changes on derivative financial instruments	(25,221)	17,369
Impairment loss recognized on available-for-sale Investments	(23,264)	
Selling and distribution expenses	(344,486)	(221,157)
Administrative expenses	(404,550)	(312,563)
Other expenses	(176,961)	(141,018)
Finance costs	(63,696)	(50,181)
Share of results of associates	37,199	24,758
Share of results of jointly controlled entities	<u>29,341</u>	<u>(5,922)</u>
Profit before taxation	515,429	386,647
Income tax expense	<u>(24,685)</u>	<u>(17,715)</u>
Profit for the period	<u>490,744</u>	<u>368,932</u>
Attributable to:		
Equity holders of the Company	468,664	359,430
Minority interests	<u>22,080</u>	<u>9,500</u>
	<u>490,744</u>	<u>368,932</u>
Dividends	<u>185,481</u>	<u>174,632</u>
Earnings per share	US cents	US cents
-Basic	<u>28.2 cents</u>	<u>21.6 cents</u>
-Diluted	<u>27.1 cents</u>	<u>20.6 cents</u>