



**PRESS RELEASE**

**Yue Yuen Announces 2010 Interim Results**

*Observing Cautiously*

(Hong Kong, 15 June 2010) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the six months ended 31st March, 2010. The Group’s turnover increased marginally year-on-year by 4.3% to US\$2,654.6 million. Profit attributable to owners of the Company fell slightly by 3.2% to US\$210.8 million.

The Directors are pleased to declare an interim dividend of HK\$0.34 per share, unchanged from last year.

**Operations**

The business outlook has improved somewhat compared to a year ago. For the period under review, the Group experienced a small increase in sales on the back of: i) dependable orders from its brand name footwear customers; ii) the action of leading brand name customers to concentrate their sourcing needs with the most reliable manufacturers; and iii) sales growth for the Greater China wholesale and retail operations. The total volume of shoes produced rose by 4.7% year-on-year to 136.1 million pairs, as a result of the sturdy order flow from our existing customers and new customers. The total number of production lines grew by 5.2% to 445 lines by the end of March 2010.

The revenue contributions from the wholesale and retail operations in the Greater China region continued to increase and accounted for about 22.2% of the Group’s total turnover for the period under review. The revenue from the wholesale and retail operations grew by 25.4% year-on-year to US\$590.0 million, which was mainly derived from the Group’s 2,272 directly operated retail stores/counters, as well as the wholesale operations in the Greater China region. In addition, the Group’s regional joint venture companies directly operated about 2,039 retail stores/counters. This year the retail division has been focusing its attention on improving inventory management and operating efficiency. Some underperforming stores were restructured. As a result, there were 4,311 directly operated retail outlets in China under the Group and its affiliates at the end of March 2010.

**Total Turnover by Product Category**

Six months ended 31st March	2010		2009		y-o-y
	US\$ million	%	US\$ million	%	% change
Athletic Shoes	1,424.8	53.7	1,414.3	55.6	0.7
Casual/Outdoor Shoes	370.9	14.0	387.2	15.2	(4.2)
Sports Sandals	43.5	1.6	54.5	2.1	(20.2)
Retail Sales - Shoes & Apparel	590.0	22.2	470.6	18.5	25.4
Soles, Components & Others	225.4	8.5	218.7	8.6	3.1
<b>Total Turnover</b>	<b>2,654.6</b>	<b>100.0</b>	<b>2,545.3</b>	<b>100.0</b>	<b>4.3</b>



**Total Turnover by Geographical Market**

Six months ended 31st March	2010		2009		y-o-y
	US\$ million	%	US\$ million	%	% change
U.S.A.	793.9	29.9	779.6	30.6	1.8
Canada	41.0	1.5	44.9	1.8	(8.7)
Europe	553.4	20.9	592.6	23.3	(6.6)
South America	83.3	3.1	96.6	3.8	(13.8)
Asia	1,113.3	42.0	967.4	38.0	15.1
Other Areas	69.7	2.6	64.2	2.5	8.6
<b>Total Turnover</b>	<b>2,654.6</b>	<b>100.0</b>	<b>2,545.3</b>	<b>100.0</b>	<b>4.3</b>

Footwear manufacturing remained the Group's major operation accounting for 69.3% of total sales, whereas soles and components accounted for 8.5% of total sales. Retail sales accounted for 22.2% of total sales, compared to 18.5% last year. With the increase in retail sales, Asia has become the largest market for the Group and the turnover from the three major markets, Asia, the USA and Europe, comprises 92.8% of the Group's Sales.

**Looking Forward**

In the first two months of the third quarter of Financial Year 2010 (April and May of 2010), the Group's total turnover amounted to approximately US\$ 1,008.0 million, an increase of 17.6% year-on-year. Sales for footwear manufacturing should be firm on the back of the 2010 World Cup advertising activities of our brand name customers. In the long term the outlook for the Group's China retail operations should be promising given the strength of the PRC economy and the rising incomes of consumers.

In light of the trend of rising input costs, the Group will tactically use its production facilities spread across China, Vietnam and Indonesia, and its product development capability, to manufacture the highest quality products for its customers. The Group will work closely with its brand name customers. On the retail side, the Group is preparing to further reap the benefits of economic growth in the PRC.

"The Group looks forward to the continuing economic growth of China and the increase in consumer spending by its citizens. In the coming decade the Group is well positioned to benefit from the rising consumer spending in the PRC," said Mr. Tsai Chi Neng, Chairman of the Group.

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

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## Condensed Consolidated Income Statement

For the six months ended 31st March, 2010

	For the six months ended 31st March,	
	2010 (unaudited) US\$'000	2009 (unaudited) US\$'000
Turnover	2,654,565	2,545,313
Cost of sales	<u>(1,977,269)</u>	<u>(1,899,710)</u>
Gross profit	677,296	645,603
Other income	50,670	68,809
Fair value changes on derivative financial instruments	3,770	17,627
Selling and distribution expenses	(219,100)	(200,352)
Administrative expenses	(212,886)	(221,728)
Other expenses	(75,200)	(78,631)
Equity-settled share-based payments of a listed subsidiary	(413)	(2,580)
Impairment loss on investment in jointly controlled entities	(2,480)	-
Finance costs	(22,286)	(30,384)
Share of results of associates	17,110	16,132
Share of results of jointly controlled entities	<u>31,538</u>	<u>10,034</u>
Profit before taxation	248,019	224,530
Income tax expense	<u>(31,281)</u>	<u>(8,677)</u>
Profit for the period	<u>216,738</u>	<u>215,853</u>
Attributable to:		
Owners of the Company	210,795	217,685
Non-controlling interests	<u>5,943</u>	<u>(1,832)</u>
	<u>216,738</u>	<u>215,853</u>
Earnings per share		
-Basic	<u>US12.8 cents</u>	<u>US13.2 cents</u>
-Diluted	<u>US12.2 cents</u>	<u>US11.1 cents</u>