



PRESS RELEASE

Yue Yuen Announces 2005 Interim Results

Sustained revenue growth

(Hong Kong, 13 June, 2005) – Yue Yuen Industrial (Holdings) Limited (“the Group”) today announced its unaudited consolidated results for the six months ended 31st March, 2005. Turnover rose year-on-year by 17.4% to US\$1,477.9 million and net profit fell year-on-year by 3.8% to US\$152.3 million for the six months ended 31st March, 2005. Earnings per share declined by 4.1% to 9.4 U.S. cents compared with 9.8 U.S. cents for the same period last year. The net profit would have increased by 15.4% for the first half of fiscal year 2005 when not taking into account the US\$26.3 million contribution from disposal of investment securities for the corresponding period last year.

The Board of Directors has resolved to declare an interim dividend of HK\$0.27 per share, an increase of 8% from HK\$0.25 per share last year.

Operations

During the period, the Group recorded strong revenue growth from its core manufacturing operation and retail sales in greater China. The operating environment for footwear manufacturing remained difficult due to the increase in crude oil prices and labor costs in the Pearl River Delta region. The Group has kept up the effort to contain the increase in overall production overheads and selling and administrative expenses but the market resistance remained strong. In addition, the moderate rise in the average selling price could only partially offset the general increase in material prices.

Total number of shoes produced during the period increased year-on-year by 11.4% to 90.4 million pairs compared with 81.2million pairs last year. The various product categories faced balanced growth. There was encouraging growth in all major markets by geographical distribution and sales to North America were particularly strong. Additionally, the growth momentum for retail sales operations in greater China and apparel manufacturing remained intact. Retail sales now accounted for over 4% of the Group’s total revenue.

As of March 2005, the Group operated about 330 production lines (September 2004: 309 lines) located in China, Vietnam and Indonesia. The increase in production capacity was in line with the strong volume growth. The Group established a wholesale network of about 900 distributors for its licensed brands and operated about 480 retail stores/counters selling branded athletic footwear and apparel in major cities of China.

Combined contributions from associates and jointly controlled entities amounted to US\$17.5 million for the period under review compared with US\$17.7 million last year. However, there was a one off contribution of about US\$4.5 million last year from the disposal of investment securities by one of our jointly controlled entities, Symphony Holdings Limited.



The tables below show the breakdown of turnover by product category and geographical market.

Turnover by Product Category

Six months ended 31st Mar	2005		2004		y-o-y
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	<i>% change</i>
Athletic Shoes	919.4	62.2	791.5	62.9	16.2
Casual/Outdoor Shoes	254.0	17.2	216.9	17.2	17.1
Sports Sandals	31.5	2.1	26.3	2.1	19.8
Soles & Components	193.9	13.1	187.4	14.9	3.5
Retail Sales - Shoes & Apparel	65.5	4.5	29.8	2.4	119.8
Others	13.6	0.9	6.5	0.5	109.2
Total Turnover	1,477.9	100.0	1,258.4	100.0	17.4

Turnover by Geographical Market

Six months ended 31st Mar	2005		2004		y-o-y
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	<i>% change</i>
U.S.A.	595.3	40.3	508.4	40.4	17.1
Canada	26.2	1.8	22.2	1.8	18.0
Europe	399.7	27.0	359.7	28.6	11.1
South America	29.3	2.0	23.9	1.9	22.6
Asia	389.6	26.4	315.4	25.0	23.5
Other Areas	37.8	2.5	28.8	2.3	31.3
Total Turnover	1,477.9	100.0	1,258.4	100.0	17.4

The Group maintains a healthy financial position. As at 31st March, 2005, the Group had cash on hand of US\$393 million (September 2004: US\$466 million) and total borrowings of US\$803 million (September 2004: US\$ 777 million). This represents a gearing ratio of 44% (September 2004: 44%) and a net debt-to-equity ratio of approximately 22% (September 2004: 18%). On 1st June, 2005, the Group concluded a 5-year Term Loan and Revolving Credit Facility of US\$ 420 million and the proceeds will be used for general corporate funding requirements including refinancing of its existing facilities.

Looking Forward

The Group's revenue growth momentum continues to be strong. For the period from April to May 2005 in the third quarter of fiscal year 2005, the Group's revenue grew year-on-year by 11.9% to approximately US\$558.3 million despite being on a higher base of comparison. The back to school orders remained healthy, with the Group confident in recording satisfactory revenue growth for the full year.



Yue Yuen Industrial (Holdings) Limited

Crude oil prices remain buoyant but fluctuations in material prices have tapered off. The Group should be in a better position to manage the change in material prices. On the production side, the Group maintains production bases in three countries. In the meantime, the Group will closely monitor the development of trade disputes on Chinese exports. The potential revaluation of Renminbi, if any, will also be a matter of mutual concern among the Group and its customers.

The consumer spending power in China continues to grow and the Group will capture this opportunity through its comprehensive retail sales operations. The Group's number of stores/counter increased to 480 in March 2005 from 350 in September 2004. In addition, the Group extended its wholesale operations into Taiwan and Hong Kong. We are committed to opening over 1,000 stores/counters in China by 2008.

The Group achieved impressive growth amidst a tough environment for the period under review due to its dynamic management and well-structured production facilities. "We will strive to improve the production efficiency further with valuable contribution from our dedicated and innovative team. In addition, we will continue the expansion strategy of diversifying product categories," said Mr. Tsai Chi Neng, Chairman of Yue Yuen Industrial (Holdings) Limited.

Yue Yuen Industrial (Holdings) Ltd.

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Consolidated Income Statement

For the six months ended 31st March, 2005

	For the six months ended 31st March,	
	2005 (Unaudited) US\$'000	2004 (Unaudited) US\$'000
Turnover	1,477,897	1,258,368
Cost of sales	<u>(1,121,024)</u>	<u>(948,624)</u>
Gross profit	356,873	309,744
Other operating income	48,297	46,671
Gain on disposal of investment securities	-----	26,330
Selling and distribution expenses	(60,574)	(51,030)
Administrative expenses	(120,824)	(117,532)
Other operating expenses	<u>(77,694)</u>	<u>(64,083)</u>
Profit from operations	146,078	150,100
Finance costs	(6,615)	(6,727)
Share of results of associates	7,494	2,435
Share of results of jointly controlled entities	<u>10,027</u>	<u>15,250</u>
Profit before taxation	156,984	161,058
Income tax expense	<u>(3,075)</u>	<u>(1,645)</u>
Profit before minority interests	153,909	159,413
Minority interests	<u>(1,572)</u>	<u>(1,121)</u>
Net profit for the period	<u>152,337</u>	<u>158,292</u>
Earnings per share		
-Basic	<u>9.4 US cents</u>	<u>9.8 US cents</u>
-Diluted	<u>8.8 US cents</u>	<u>9.8 US cents</u>