



**PRESS RELEASE**

**Yue Yuen Announces 2009 Interim Results**

*Moving Forward At A Steady Pace*

(Hong Kong, 19 June 2009) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the six months ended 31st March, 2009. The Group’s turnover and profit attributable to equity holders of the company increased year-on-year by 9.70% to US\$2,545.3 million and 4.0% to US\$ 217.7 million, respectively.

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

**Operations**

The business environment was very difficult due to the global economic decline. However during the period under review, the Group recorded sales growth as a result of the stable demand from its brand name footwear customers, further consolidation in the footwear manufacturing industry and sales growth for the Greater China wholesale and retail operations. The total volume of shoes produced rose by 1.7% year-on-year to 129.9 million pairs, thanks to the support of our existing customers and orders from new customers. The total number of production lines remained at 440 by the end of March 2009. The Group continues to benefit from economies of scale and the close relationship it has with its brand name customers.

The sales contributions from the wholesale and retail operations in the Greater China region continued to increase and accounted for about 18.5% of the Group’s total turnover for the period under review. The revenue from the wholesale and retail operations grew by 27.0% year-on-year to US\$470.6 million, which was mainly derived from the Group’s 2,062 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 operated about 2,823 directly operated retail stores/counters. This year the Group has been focusing on improving operating efficiency and eliminating low yielding stores/counters. As a result, the total number of directly operated retail outlets in China under the Group and its affiliates stood at about 4,885 by the end of March 2009.



**Total Turnover by Product Category**

Six months ended 31st March	2009		2008		y-o-y
	<i>US\$ millions</i>	<i>%</i>	<i>US\$ millions</i>	<i>%</i>	<i>% change</i>
Athletic Shoes	1,414.3	55.6	1,331.6	57.4	6.2
Casual/Outdoor Shoes	387.2	15.2	326.5	14.1	18.6
Sports Sandals	54.5	2.1	37.9	1.6	44.0
Retail Sales - Shoes & Apparel	470.6	18.5	370.6	16.0	27.0
Soles, Components & Others	218.7	8.6	253.6	10.9	(13.8)
<b>Total Turnover</b>	<b>2,545.3</b>	<b>100.0</b>	<b>2,320.2</b>	<b>100.0</b>	<b>9.7</b>

Footwear manufacturing remained the Group's major operation accounting for 72.9% of total sales, whereas soles and components accounted for 8.6% of total sales. Retail sales accounted for 18.5% of total sales, compared to 16.0% last year. With the surge in retail sales, Asia has become the largest market for the Group and the turnover from the three major markets, the USA, Europe and Asia, has become more balanced.

Six months ended 31st March	2009		2008		y-o-y
	<i>US\$ millions</i>	<i>%</i>	<i>US\$ millions</i>	<i>%</i>	<i>% change</i>
U.S.A.	779.6	30.6	724.5	31.2	7.6
Canada	44.9	1.8	37.4	1.6	20.0
Europe	592.6	23.3	561.3	24.2	5.6
South America	96.6	3.8	64.5	2.8	49.8
Asia	967.4	38.0	876.1	37.8	10.4
Other Areas	64.2	2.5	56.4	2.4	14.0
<b>Total Turnover</b>	<b>2,545.3</b>	<b>100.0</b>	<b>2,320.2</b>	<b>100.0</b>	<b>9.7</b>

**Looking Forward**

In the first two months of the third quarter of FY2009 (April and May of 2009), the Group's total turnover amounted to approximately US\$ 861.1 million, a slight decline of 1.6 % year-on-year. Sales for footwear manufacturing should be stable on the back of consistent demand from the brand name customers. Sales for the China retail operations should be steady given the healthy consumer spending in China.

Given the challenging macro environment, the Group will continue to improve efficiency at its shoe production facilities in China, Vietnam and Indonesia. More effort will be spent on research and development to help the Group maintain its dominant position in the industry. On the retail side, streamlining operations and improving efficiency will also be the areas of focus.

"The Group will continue to improve its factory management so as to maximize production efficiency. Pou Sheng's management will work to ensure that its inventory balance returns to a normal level and its performance is expected to be improved," 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, 2009*

	For the six months ended 31st March,	
	2009 (Unaudited) US\$'000	2008 (Unaudited) US\$'000
Turnover	2,545,313	2,320,180
Cost of sales	<u>(1,899,710)</u>	<u>(1,743,367)</u>
Gross profit	645,603	576,813
Other income	68,809	86,373
Selling and distribution expenses	(200,352)	(154,185)
Administrative expenses	(224,308)	(195,266)
Other expenses	( 78,631)	( 85,296)
Fair value changes on derivative financial instruments	17,627	4,757
Finance costs	( 30,384)	(34,255)
Share of results of associates	16,132	17,826
Share of results of jointly controlled entities	<u>10,034</u>	<u>9,572</u>
Profit before taxation	224,530	226,339
Income tax expense	<u>(8,677)</u>	<u>(10,657)</u>
Profit for the period	<u>215,853</u>	<u>215,682</u>
Profit attributable to:		
Equity holders of the Company	217,685	209,311
Minority interests	<u>(1,832)</u>	<u>6,371</u>
	<u>215,853</u>	<u>215,682</u>
Dividends	<u>116,957</u>	<u>113,034</u>
Earnings per share		
-Basic	<u>US13.2 cents</u>	<u>US12.6 cents</u>
-Diluted	<u>US11.1 cents</u>	<u>US12.4 cents</u>