



PRESS RELEASE

Yue Yuen Announces FY2009 Results

Maintaining a steady pace

(Hong Kong, 20 January 2010) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its audited consolidated results for the year ended 30th September, 2009. Total turnover rose 2.0% year on year to approximately US\$5,016.9 million, and net profit attributable to equity holders of the Company decreased by 0.9% year on year to approximately US\$464.7 million. Basic earnings per share was similar to last year’s figure at US\$ 28.15 cents.

The Directors have resolved to recommend the payment of a final dividend of HK\$0.55 per share, the same as in FY2008. (Interim dividend in FY2009: HK\$0.34 per share vs FY2008: HK\$0.34 per share). The total dividend for the year will be HK\$0.89 per share, the same as in FY2008.

Operations

Footwear manufacturing activity for the Group was similar to last year’s level, with turnover from the key product category, athletic shoes declining slightly by 2.6%. There was a moderate reduction in the total number of shoes produced by the Group to 246.2 million pairs, representing a minus decline of 3.5% compared with the previous year. This drop was principally due to more cautious batch order sizes from existing customers. During the year under review, the Group reduced the number of production lines by a small number, with the allocation of lines among the three production bases (mainland China, Vietnam and Indonesia), leaving the total number of lines at 423.

Total Turnover by Product Category

For the year ended 30th Sept	2009		2008		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	2,709.7	54.0	2,781.4	56.5	(2.6)
Casual/Outdoor Shoes	781.8	15.6	711.6	14.5	9.9
Sports Sandals	71.8	1.4	59.0	1.2	21.7
Soles & Components	390.0	7.8	466.9	9.5	(16.5)
Retail Sales - Shoes & Apparel	1,015.5	20.2	849.0	17.3	19.6
Others	48.1	1.0	52.0	1.0	(7.5)
Total Turnover	5,016.9	100.0	4,919.9	100.0	2.0

Retail sales of the Group grew by 19.6% year-on-year to US\$1,015.5 million, supported by the continuing strength of consumer spending in the Greater China Region. The total number of directly operated counters/stores in China under the Group stood at about 4,583 by the end of September 2009. In addition, there were approximately 1,245 distributors in the Greater China region for the Group’s wholesale operations for the two licensee brands.



Total Turnover by Geographical Market

For the year ended 30th Sept	2009		2008		y-o-y
	<i>US\$ millions</i>	<i>%</i>	<i>US\$ millions</i>	<i>%</i>	<i>% change</i>
U.S.A.	1,534.1	30.6	1,521.8	30.9	0.8
Canada	81.5	1.6	73.7	1.5	10.6
Europe	1,117.9	22.3	1,160.1	23.6	(3.6)
South America	174.0	3.5	163.5	3.3	6.4
Asia	1,976.7	39.4	1,876.9	38.2	5.3
Other Areas	132.7	2.6	123.9	2.5	7.1
Total Turnover	5,016.9	100.0	4,919.9	100.0	2.0

From a geographic view, sales to the U.S.A. were surprisingly resilient given the drastic slowdown in economic activity for that region. Regions that in previous years exhibited high sales growth were also affected by the global economic slowdown. The sluggish sales growth rate for the Asia region also encompasses the moderation of retail sales growth for the Greater China Region. The sales growth rate for South America fell to mid-single digit compared to the rate in previous years of high double digits.

Although the slowdown in the global economy has affected demand at all levels, the Group has continued to maintain its standing on the back of: 1) its strength in manufacturing activities; 2) the ongoing consolidation in the manufacturing industry; and 3) its broad based retail and wholesale operations in the Greater China region. Many of the associate companies and jointly controlled entities have been successful in their efforts to restructure their operations so that their profit contributions were higher this period compared to last year.

Looking Forward

Turnover declined in the first quarter of fiscal 2010 due to the exceptionally strong order flow for the same period last year. For the three months ended December 2009, the Group turnover declined by 3.4% year-on-year to approximately US\$1,312.8 million.

On the manufacturing side, the Group expects order flow from its brand name customers to be stable for the rest of the financial year. When looking at research on consumer spending, it appears that consumers still have a strong desire to purchase athletic or casual shoes. With World Cup South Africa taking place in June and July of this year, consumers of athletic footwear and apparel may be reinvigorated. Historically leading athletic brand names have been able to attract attention to their apparel and footwear goods during major sports competitions.

Input cost pressures continue to exist as commodity prices and minimum wages for factory workers across Asia, trend upwards. Governments in the developed world want the PRC government to allow its currency, the Renminbi, to appreciate further. Since July 2005, the Renminbi has appreciated by 21%. Further appreciation of the currency will hurt export related manufacturing in the PRC.

Turnover from the China wholesale and retail sales operations will grow at a steady rate, as management has spent the past year fine tuning operating efficiency and refining its relationships with the various regional joint venture partners operating throughout China. The Group owns one of largest distribution networks of athletic apparel and footwear in the mainland, selling both international athletic brands as well as local brands. The Group's network encompasses around



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10,000 points of sale across China and is also a valuable platform that can help other international brand names sell their apparel or footwear to consumers in China.

Global demand for athletic footwear is likely to strengthen in the coming year given the improving economic outlook and sports events like World Cup South Africa. Sales of sportswear products in China will continue to benefit from the strong economic growth in China and the trend of growing consumer interest in athletic apparel and footwear.

Being a manufacturer in the shoe manufacturing industry is challenging. Major brand name customers prefer to give their orders to factories that have a sound financial position. Major brand name customers also require these factories to make a commitment to recycle, reuse or reduce waste emissions to protect the environment. These factories are also expected to meet Corporate Social Responsibility (“CSR”) needs. The Group has a dedicated department of experienced individuals to address CSR and environment issues with its brand name customers at all the different factory locations across Asia. With respect to banking activities, it is observed that banks prefer to lend to large factories instead of small and medium size ones.

“We will continue to play a leading role in the global supply chain for the athletic and casual footwear industry. The Group will continue to be a leader in the Greater China Region for the retail distribution of athletic footwear and apparel,” said Mr. Tsai Chi Neng, Chairman of the Group.

Yue Yuen Industrial (Holdings) Ltd.

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Consolidated Income Statement

For the year ended 30th September, 2009

	For the year ended 30th September,	
	2009 (audited) US\$'000	2008 (audited) US\$'000
Turnover	5,016,902	4,919,937
Cost of sales	<u>(3,734,456)</u>	<u>(3,729,539)</u>
Gross profit	1,282,446	1,190,398
Other income	158,003	170,733
Net gain on deemed disposal of partial interest of subsidiaries	--	123,459
Fair value changes of investment properties	(7,193)	2,477
Fair value changes on derivative financial instruments	25,117	(25,221)
Impairment loss recognized on available-for-sale investments	(8,527)	(23,264)
Selling and distribution expenses	(390,914)	(344,486)
Administrative expenses	(426,806)	(404,550)
Other expenses	(165,022)	(176,255)
Equity-settled share-based payments of a listed subsidiary	(12,521)	(706)
Impairment loss on investments in jointly controlled entities	(9,294)	--
Finance costs	(52,360)	(63,696)
Share of results of associates	41,365	37,199
Share of results of jointly controlled entities	<u>35,799</u>	<u>29,341</u>
Profit before taxation	470,093	515,429
Income tax expense	<u>(8,131)</u>	<u>(24,685)</u>
Profit for the period	<u>461,962</u>	<u>490,744</u>
Attributable to:		
Equity holders of the Company	464,730	468,664
Minority interests	<u>(2,768)</u>	<u>22,080</u>
	<u>461,962</u>	<u>490,744</u>
Dividends	<u>189,294</u>	<u>185,481</u>
Earnings per share	US cents	US cents
-Basic	<u>28.15 cents</u>	<u>28.17 cents</u>
-Diluted	<u>24.88 cents</u>	<u>27.07 cents</u>