



PRESS RELEASE

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Yue Yuen Announces FY2003 First-Quarter Results

Strong Growth in Turnover and Net Profit

Hong Kong, 13th March 2003 – **Yue Yuen Industrial (Holdings) Limited** (“the Group”; SEHK: 2914), the world’s largest branded footwear manufacturer, today announced its unaudited consolidated results for the three months ended 31st December 2002. Turnover for the quarter totaled US\$611.5 million, an increase of 31.2% from US\$466.2 million in the same period last year. Net profit for the first fiscal quarter rose to US\$69.1 million, up 32.3% from US\$52.2 million in the year-ago period.

Strong year-on-year revenue growth was mainly attributable to the beneficial impact of the 67 upstream materials companies acquired by the Group from its parent company, Pou Chen Corporation, in October 2002; the Group’s rapid expansion in Vietnam since the establishment of US Normal Trade Relations with the country; and steady growth in the Group’s operations in China.

Reflecting the Group’s enhanced operating capabilities, total shoes produced and shipped in the first quarter increased to 38.7 million pairs from 30.9 million pairs, rising 25.2% versus the same quarter last year.

Excluding the beneficial impact of the newly acquired upstream businesses, athletic shoes accounted for 75.6% of overall turnover in the first quarter compared with 77.6% last year, while revenues from casual/outdoor shoes rose to 17.4% from 15.7%. Growth rates by dollar value during the quarter for athletic and casual/outdoor shoes were 16.5% and 32.4%, respectively. Sole and components sales, meanwhile, accounted for 6.2% of total turnover in the latest period versus 6.7% a year ago. The Group’s developing subsidiary’s retail operations also contributed 0.8% to the overall turnover in the first quarter.

The Group continued to diversify its turnover by geographical market during the quarter. Excluding the newly acquired upstream shoe materials, components and production tools businesses, the U.S. market accounted for 46.5% of turnover during the quarter versus 51.0% last year, whereas sales to Europe totaled 33.0% of turnover compared with 27.6% last year. Sales to Asian, Canadian, South American and other markets collectively accounted for 20.5% of turnover versus 21.4% last year.

Yue Yuen Industrial (Holdings) Limited (SEHK stock code: 2914) is the largest branded footwear manufacturer in the world, with approximately 16% market share in all of branded athletic and casual/outdoor footwear. The Group is an original equipment manufacturer / original design manufacturer (“OEM / ODM”) for major international brand name companies such as Nike, Adidas, Reebok, Asics, New Balance, Timberland and Rockport. Yue Yuen also produces footwear components for sale to other manufacturers.

In 1988 Yue Yuen was incorporated by the Tsai Family and has been listed on The Stock Exchange of Hong Kong Limited since 1992.

Unaudited Consolidated Results
For the three months ended 31st December 2002

	Three Months		
	Ended 31st December		
	<u>2002</u>	<u>2001</u>	<u>%</u>
	<u>US \$'000</u>	<u>US \$'000</u>	<u>Change</u>
Turnover	611,483	466,245	31.2
Cost of sales	<u>(451,213)</u>	<u>(347,350)</u>	<u>29.9</u>
Gross profit	160,270	118,895	34.8
Other operating income	20,748	12,795	62.2
Selling and distribution expenses	(20,692)	(15,257)	35.6
Administrative expenses	(53,829)	(42,709)	26.0
Other operating expenses	<u>(37,457)</u>	<u>(18,597)</u>	<u>101.4</u>
Profit from operations	69,040	55,127	25.2
Finance costs	(3,832)	(3,394)	12.9
Share of results of associates	1,541	(112)	1,475.9
Share of results of jointly controlled entities	<u>2,560</u>	<u>619</u>	<u>313.6</u>
Profit before taxation	69,309	52,240	32.7
Income tax expense	<u>(438)</u>	<u>(213)</u>	<u>105.6</u>
Profit before minority interests	68,871	52,027	32.4
Minority interests	<u>227</u>	<u>183</u>	<u>24.0</u>
Net profit for the period	69,098	52,210	32.3
	=====	=====	=====
Total number of issued shares as of 31 st December 2001 and 2002 respectively (before subdivision)	773,647,619	703,680,953	