



PRESS RELEASE

Yue Yuen Announces FY2005 First Quarter Results

Encouraging revenue growth

(Hong Kong, 16 March, 2005) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the three months ended 31st December, 2004. Turnover increased 15.8% year-on-year to US\$746.4 million and net profit fell 17.9% year-on-year to US\$77.1 million. However, when not taking into account the US\$23.4 million contribution from disposal of investment securities for the corresponding period of the previous year, the Group recorded a 9.4% year-on-year increase in net profit for the first quarter of fiscal year 2005.

During the period, the Group continued to achieve encouraging revenue growth. Total shoe production amounted to 46.6 million pairs, an increase of 10.8% compared with the corresponding period of the previous year. In addition, there was an increase in average unit selling price year-on-year, and steady sales growth in athletic shoes and casual/outdoor shoes.

The Group continues to record strong sales growth for the first two months of 2005, with aggregate revenue of US\$465.5 million, an increase of 17.8% year-on-year. The growth is mainly due to organic growth of the core footwear manufacturing business and a surge in contributions from our China retail operation.

“The operating environment remains challenging in light of fluctuations in raw material prices. The management has initiated measures to address this issue vigorously,” said Mr. Tsai Chi Neng, Chairman of the Group.

Total Turnover by Product Category

| Three months ended 31st Dec | 2004 | | 2003 | | y-o-y % change |
|--------------------------------|---------------|--------------|---------------|--------------|-------------------|
| | US\$ millions | % | US\$ millions | % | |
| Athletic Shoes | 476.0 | 63.7 | 409.1 | 63.4 | 16.4 |
| Casual/Outdoor Shoes | 120.0 | 16.1 | 111.6 | 17.3 | 7.5 |
| Sports Sandals | 14.6 | 2.0 | 13.3 | 2.1 | 10.1 |
| Soles & Components | 100.9 | 13.5 | 95.2 | 14.8 | 6.0 |
| Retail Sales - Shoes & Apparel | 26.9 | 3.6 | 12.6 | 1.9 | 114.2 |
| Others | 8.0 | 1.1 | 2.9 | 0.5 | 171.6 |
| Total Turnover | 746.4 | 100.0 | 644.7 | 100.0 | 15.8 |



Yue Yuen Industrial (Holdings) Limited

Total Turnover by Geographical Market

| Three months ended 31st Dec | 2004 | | 2003 | | y-o-y % change |
|-----------------------------|----------------------|--------------|----------------------|--------------|-------------------|
| | <i>US\$ millions</i> | % | <i>US\$ millions</i> | % | |
| U.S.A. | 289.1 | 38.7 | 240.7 | 37.3 | 20.1 |
| Canada | 13.7 | 1.8 | 11.3 | 1.8 | 21.1 |
| Europe | 219.5 | 29.4 | 206.1 | 32.0 | 6.5 |
| South America | 16.4 | 2.2 | 13.0 | 2.0 | 26.3 |
| Asia | 187.3 | 25.1 | 156.0 | 24.2 | 20.0 |
| Other Areas | 20.4 | 2.8 | 17.6 | 2.7 | 16.2 |
| Total Turnover | 746.4 | 100.0 | 644.7 | 100.0 | 15.8 |

Yue Yuen Industrial (Holdings) Ltd.

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Consolidated Income Statement

For the three months ended 31st December, 2004

| | For the three months ended | |
|--|----------------------------|-------------------|
| | 31st December, | |
| | 2004 | 2003 |
| | (Unaudited) | (Unaudited) |
| | US\$'000 | US\$'000 |
| Turnover | 746,448 | 644,693 |
| Cost of Sales | <u>(571,035)</u> | <u>(486,596)</u> |
| Gross Profit | 175,413 | 158,097 |
| Other Operating Income | 23,930 | 23,567 |
| Gain on disposal of investment securities | ----- | 23,373 |
| Selling and Distribution Expenses | (28,052) | (22,886) |
| Administrative Expenses | (59,161) | (58,329) |
| Other Operating Expenses | <u>(37,204)</u> | <u>(31,150)</u> |
| Profit from Operations | 74,926 | 92,672 |
| Finance Costs | (2,442) | (3,405) |
| Share of Results of Associates | 3,022 | 1,179 |
| Share of Results of Jointly Controlled Entities | <u>4,370</u> | <u>4,555</u> |
| Profit before Taxation | 79,876 | 95,001 |
| Income Tax Expense | <u>(1,967)</u> | <u>(901)</u> |
| Profit before Minority Interests | 77,909 | 94,100 |
| Minority Interests | <u>(825)</u> | <u>(239)</u> |
| Net Profit for the Period | <u>77,084</u> | <u>93,861</u> |