



PRESS RELEASE

Yue Yuen Announces FY2006 First Quarter Results

Sustained Improvement in Operation

(Hong Kong, 16 March 2006) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”, stock code: 551) today announced its unaudited consolidated results for the three months ended 31st December, 2005. Turnover increased year-on-year by 17.6% to US\$878.0 million and net profit increased by 16.0% year-on-year to US\$85.9 million. Due to the adoption of new Hong Kong Financial Reporting Standards (“HKFRS”), net profit of the first quarter of FY2005 has been restated to US\$74.0 million from US\$77.1 million and the net profit growth would have been 11.4% year-on-year before restatement.

The Group reported encouraging results for the period under review in light of sustained sales growth. Total footwear production amounted to 49.5 million pairs, an increase of 6.2% compared with the corresponding period of the previous year. Turnover from wholesales and retail operations in the Greater China region jumped 142% to US\$65.1 million, thanks to blooming domestic consumption in China. By the end of 2005, the Group operated over 600 shops/counters in the mainland China. Also, contributing to the results for the period was the increase in share of profits from associates and jointly controlled entities, which bought in US\$14.6 million compared to US\$7.4 million in the previous year.

Following a strong performance in the first quarter of FY2006, the Group continued to record exciting turnover growth in the first two months of the second quarter of FY2006 (January and February of 2006), with aggregate revenue amounted to US\$553.2 million, a rise of 18.8% year-on-year. The continued growth in the core manufacturing business as well as the increased contributions from wholesales and retail operations underpinned the Group’s operating performance.

“There is improvement in the operation but we still expect challenges ahead. The Group will closely monitor the potential impact of the trade dispute and increase in production costs in the remainder of the year,” said Mr. Tsai Chi Neng, Chairman of the Group.

Total Turnover by Product Category

Three months ended 31st Dec	2005		2004		y-o-y % change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	521.5	59.4	476.0	63.7	9.6
Casual/Outdoor Shoes	151.7	17.3	120.0	16.1	26.4
Sports Sandals	20.1	2.3	14.6	2.0	37.7
Soles & Components	106.2	12.1	100.9	13.5	5.3
Retail Sales - Shoes & Apparel	65.1	7.4	26.9	3.6	142.0
Others	13.4	1.5	8.0	1.1	67.5
Total Turnover	878.0	100.0	746.4	100.0	17.6



Yue Yuen Industrial (Holdings) Limited

Total Turnover by Geographical Market

Three months ended 31st Dec	2005		2004		<i>y-o-y % change</i>
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	
U.S.A.	318.8	36.3	289.1	38.7	10.3
Canada	20.5	2.3	13.7	1.8	49.6
Europe	254.1	29.0	219.5	29.4	15.8
South America	19.9	2.3	16.4	2.2	21.3
Asia	237.4	27.0	187.3	25.1	26.7
Other Areas	27.3	3.1	20.4	2.8	33.8
Total Turnover	878.0	100.0	746.4	100.0	17.6

Yue Yuen Industrial (Holdings) Ltd.

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Consolidated Income Statement

For the three months ended 31st December, 2005

	For the three months ended	
	31 December,	
	2005	2004
	(Unaudited)	(Unaudited/restated)
	US\$'000	US\$'000
Turnover	877,994	746,448
Cost of sales	<u>(675,830)</u>	<u>(571,035)</u>
Gross profit	202,164	175,413
Other operating income	32,314	23,930
Selling and distribution expenses	(35,095)	(28,052)
Administrative expenses	(71,680)	(59,161)
Other operating expenses	<u>(43,017)</u>	<u>(37,524)</u>
Profit from operations	84,686	74,606
Finance costs	(8,131)	(5,179)
Share of results of associates	4,751	3,022
Share of results of jointly controlled entities	<u>9,845</u>	<u>4,370</u>
Profit before taxation	91,151	76,819
Income tax expense	<u>(2,632)</u>	<u>(1,967)</u>
Profit before minority interests	88,519	74,852
Minority interests	<u>(2,644)</u>	<u>(825)</u>
Net profit for the period	<u>85,875</u>	<u>74,027</u>