



PRESS RELEASE

[For Immediate Release]

Yue Yuen Acquires Pro Kingtex

Extends Core Footwear Business to Encompass Casual Wear Garments

(Hong Kong, 1 May 2003) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”; SEHK: 551), the world’s largest branded footwear manufacturer, today announced the acquisition of an approximately 73% controlling interest in Pro Kingtex Industrial Company Limited (“Pro Kingtex”), a company engaged in the manufacturing and sales of sportswear. The consideration is US\$[3,770,397], or approximately HK\$29,409,097, comprising US\$2,770,397 for acquiring the equity interest in Pro Kingtex and US\$1,000,000 for the Shareholder's Loan. Since the Vendor of the acquisition is a wholly owned subsidiary of PCC, which is a substantial shareholder of Yue Yuen, the agreement constitutes a connected transaction.

Pro Kingtex, established in 1999, has a cumulative investment cost of approximately US\$10.5 million, and manufactures sportswear and casual wear. With three locations throughout the world, Pro Kingtex has a presence in Zhongshan, the PRC, with 8 production lines and a capacity of 14, a presence in Mexico with 13 production lines and a capacity of 16, as well as a presence in Vietnam with 12 production lines and a capacity of 15. Since its inception, Pro Kingtex has established a reputable clientele base that includes internationally renowned brands such as The North Face, Columbia and LANDS' END, etc.

The business is currently a loss-making one, reflecting the costs and initial capital expenditure incurred in set-up. The net loss after taxation and extraordinary items for the five months ended 28 February 2003 was US\$1,099,817, compared the net loss of US\$4,040,036 for the year ended 30 September 2002. However, the losses are being narrowed as Pro Kingtex’s business matures and grows, and Yue Yuen is highly confident about the prospects of the operations.

The acquisition presents an invaluable opportunity for the Group to expand its product range in order to meet the demands of its existing clientele. Already representing many of the world’s largest athletic brands, Yue Yuen will be able to provide its clients with high-quality casual wear and sportswear.

Mr. Edward Ku, Executive Director and General Counsel for the Group, commented on the acquisition: “Through our acquisition of Pro Kingtex, the Group will be able to offer our customers a total product portfolio that encompasses their demand for casual wear garments. Yue Yuen’s product base will expand beyond our existing stronghold and expertise in branded athletic and casual footwear to include sportswear and casual wear.

“With well-established manufacturing facilities, manpower, expertise and experience in sportswear and casual wear, Pro Kingtex can provide Yue Yuen with immediate resources and production capabilities in the garment industry, all at a good investment cost.”



Yue Yuen Industrial (Holdings) Limited

Yue Yuen Industrial (Holdings) Limited 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.

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