



## **COMPANY UPDATE**

### **Yue Yuen Forms a Ladies' Shoes Joint Venture**

#### ***Horizontal expansion into ladies' shoes manufacturing***

(Hong Kong, 23 July 2003) – **Yue Yuen Industrial (Holdings) Limited** (“the Group”) expands into manufacturing of ladies’ shoes with an investment of approximately US\$15.2 million, or HK\$118.9 million for a 50% interest in a joint venture, Hua Jian Industrial Holdings Company Limited (“HJ”), an original equipment manufacturer/origin design manufacturer (OEM/ODM) for ladies’ shoes. The investment will all be injected into the joint venture and earmarked for capacity expansion. The existing management of HJ, the Group’s joint venture partner, will remain in place and committed to the joint venture.

Hua Jian was established in 1992 and produced 3.9 million pairs of shoes, generating approximately US\$48.5 million in total turnover, for the year ended 31st December 2002. The net assets of HJ were valued at US\$12 million as of 31st December 2002 and the capital injection will enlarge the shareholder capital of HJ to US\$27.2 million. The capital injection will greatly enhance the capacity expansion of HJ and strengthen its earnings growth potential.

The products of HJ are mainly for export, with the United States being the largest market. Currently, HJ’s production is mainly based in Dongguan, Guangdong and it will expand its production capacity in Jiangxi, an inland province with ample supply of labour resources and low production costs.

Mr. Edward Ku, Executive Director for the Group, commented on the investment: “Through the capital injection into HJ, the Group will be able to diversify the product category into ladies’ shoes from the existing stronghold in branded athletic and casual footwear. Yue Yuen’s expertise in production management and logistics operation will further enhance the productivity and efficiency of HJ to provide a better service to its clients.

The enlarged capital base will facilitate HJ’s production capacity expansion to meet its strong business growth. With well-established production facilities and experience in ladies’ shoes manufacturing, Hua Jian will provide immediate contribution to Yue Yuen. We believe this investment will have tremendous growth potential and will create value for our shareholders. “



**Yue Yuen Industrial (Holdings) Limited**

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