

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

VOLUNTARY ANNOUNCEMENT - THE IMPACT OF NOVEL CORONAVIRUS (COVID-19) EPIDEMIC ON BUSINESS

This announcement is made by the board (the “**Board**”) of directors of Yue Yuen Industrial (Holdings) Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) on a voluntary basis for the purpose of keeping the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the impact of the outbreak of novel coronavirus (COVID-19) epidemic (the “**Epidemic**”) in China on the current business operations of the Group.

Following the outbreak of the Epidemic, authorities in numerous provinces and cities in China have taken emergency public health measures and various actions to control the spread of the Epidemic, including imposing restrictions and guidelines on the time and safety measures required for the resumption of work after the Chinese New Year Holidays.

Putting the health and safety of all employees and business partners at top priority, the Group, including the Company and its listed subsidiary, Pou Sheng International (Holdings) Limited (“**Pou Sheng**”, and together with its subsidiaries, the “**Pou Sheng Group**”), has established epidemic response committee (or called special steering panel for Pou Sheng Group) in view of the development of the Epidemic whose functions are to closely monitor the development of the Epidemic, actively collaborate with the local authorities across China in implementing various anti-epidemic measures, and set up and implement relevant and prompt response measures at each of factories and retail stores to prevent the spread of the Epidemic, so as to ensure the health and safety of its staff to the best of its efforts.

* *For identification purpose only*

Manufacturing Business

As at February 28, 2020, the Group's production bases in China have largely resumed operation except for the production lines in Hubei Province where the local authorities postponed the work resumption date to March 11, 2020. However, due to the implementation of traffic and crowd control measures in certain areas by the local authorities, some factory workers are unable to return to work as originally planned. Therefore, depending on the future development of the Epidemic, it will take some time for the operations and production efficiency of the Group's production bases in China to gradually return to its full scale and normal operation. However, the Board expects that the adverse impact of the relevant epidemic prevention measures on the production capacity of the Group's production lines in China will be temporary, and the production capacity of the factories will gradually return to normal upon the lifting of relevant epidemic prevention measures. Before the outbreak of the Epidemic, the output shipment of the Group's production bases in China accounted for approximately 13% of the Group's total output shipment, while the output shipment of the production lines in Hubei Province accounted for less than 2% of the Group's total output shipment.

In addition, the Epidemic has also adversely affected the supply chain logistics for the Group's production lines in China and other countries. In particular, as part of the raw material supplies for the Group's production lines outside China are sourced from suppliers located in China and the status of resumption of production amongst those upstream shoe materials suppliers in China varies, this has resulted in a shortage of certain raw materials and thereby also affected the Group's production capacity outside China to a certain extent, and may result in delay of shipment. The Group has been in close contact with its suppliers and is fully committed to ensuring the stable supply of raw materials and exploring the alternatives to increase the sourcing from suppliers outside China. The Group will use its best endeavors to fulfill its delivery commitment for the customers' sales orders and liaise with its customers to adjust delivery schedules as and when appropriate so as to minimize any negative impact on both sides.

Retail Business

In adherence to the guidelines issued by the government of China and to protect its employees from infection, Pou Sheng Group has temporarily suspended the operations of majority of its retail stores in China. Given that the revenue of Pou Sheng Group is mainly derived from the sales of sportswear in brick-and-mortar retail stores, it is expected that the Epidemic will have significant adverse impact on the revenue and results of Pou Sheng Group for the first half of 2020. Pou Sheng Group will continue to monitor the development of the Epidemic and relevant government policies, and will resume the operations of the suspended retail stores as and when appropriate.

Based on the above reasons, the Board expects that the Epidemic will have a negative impact on the Group's revenue and results for the first half of 2020. The Group will adopt relevant cost control measures to minimize the adverse impact in this regard.

The Board will continue to closely monitor the development of the Epidemic and assess its impact on the Group's operations. In view of the risks and uncertainties arising from the Epidemic, the Group will make further announcement(s) as and when appropriate to provide further information as to the impact of the Epidemic on the Group.

Shareholders and potential investors should exercise caution when dealing in the shares of the Company.

By Order of the Board
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

Hong Kong, February 28, 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Tsai Ming-Lun, Ming, Mr. Hu Chia-Ho, Mr. Liu George Hong-Chih and Mr. Hu Dien Chien.

Independent Non-executive Directors:

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Ms. Yen Mun-Gie (also known as Teresa Yen), Mr. Hsieh Yung Hsiang (also known as Alfred Hsieh) and Mr. Chen Chia-Shen.

Website: www.yueyuen.com