INSIDE INFORMATION
PROFIT WARNING

This announcement is made by Yue Yuen Industrial (Holdings) Limited (the “Company”, and together with its subsidiaries, the “Group”) pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that based on the preliminary review of the unaudited consolidated financial statements of the Group for the three months ended March 31, 2020 (the “Period”), the Group is expected to record an unaudited consolidated loss attributable to owners of the Company of approximately US$60 million to US$70 million as compared to the unaudited consolidated profit attributable to owners of the Company of approximately US$75 million for the corresponding three-month period in 2019.

Based on the information currently available to the Group, the aforesaid loss for the Period was mainly attributable to the 2019 Novel Coronavirus (“COVID-19”) pandemic, which significantly impacted the operations of various business segments of the Company, including the following:

1. For the operating results of Pou Sheng International (Holdings) Limited (“Pou Sheng”), a net loss of approximately RMB167 million for the Period as compared to the net profit of approximately RMB205 million for the corresponding period in 2019 was recognized as a result of various strict control measures implemented by the Chinese government to contain the spread of COVID-19, which resulted in the temporary closure of Pou Sheng’s business offices and retail stores between the Lunar New Year and mid-March 2020.

* For identification purpose only
2. Manufacturing revenue (including footwear, as well as soles, components and others) of approximately US$1,261 million during the Period decreased by around 9.6% as compared to that of approximately US$1,395 million for the corresponding period in 2019. The decrease was mostly due to shipment delays amid lower operating efficiency at some of the Group’s manufacturing facilities in China and other countries resulting from the COVID-19 pandemic. The pandemic delayed work resumption at the Group’s factories in China after the Lunar New Year; it also adversely impacted its supply chain, resulting in a shortage of certain raw materials. This also led to additional production capacity adjustments in China and other countries.

As of the date of this announcement, almost all of the Group’s factories in China and over 98% of the stores directly and indirectly operated by Pou Sheng have resumed operations since the partial uplift of certain control measures by the Chinese government. However, the spread of COVID-19 to US and Europe had severely dampened global consumer demand for athletic footwear, the chain effect of which is negatively affecting both footwear manufacturers and sports retailers. In addition, government lockdowns and other social distancing measures being imposed in various Southeast Asian countries to contain the COVID-19 pandemic is expected to further hinder the operating efficiency of the Group’s manufacturing facilities in this region. This, together with uncertainty about demand, may result in temporary factory closures and further adjustments to the Group’s production capacity.

There is still great uncertainty around how the COVID-19 pandemic may continue to impact orders and sales visibility for the Group’s various business segments, which will inevitably impact its performance throughout the remainder of 2020. In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose cost control measures as appropriate. The Group will also focus on its cash flow management, including adopting a more prudent approach when evaluating capital expenditure projects in 2020.

The Company is in the process of preparing the unaudited consolidated quarterly results of the Group for the Period. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the unaudited consolidated financial statements of the Group for the Period currently available which have not been audited nor reviewed by the auditors of the Company. Details of the financial information of the Group will be disclosed in the announcement of the unaudited consolidated results for the Period to be announced on 14 May 2020.

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, April 27, 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. Hu Chia-Ho, Mr. Liu George Hong-Chih, Mr. Hu Dien Chien and Mr. Yu Huan-Chang.

**Independent Non-executive Directors:**
Mr. Wong Hak Kun, Mr. Ho Lai Hong, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Chen Chia-Shen.

**Website:** www.yueyuen.com