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YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

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 six months ended June 30, 2020 (the “**Period**”), the Group is expected to record an unaudited consolidated loss attributable to owners of the Company of approximately US\$150 million to US\$160 million as compared to the unaudited consolidated profit attributable to owners of the Company of approximately US\$165.9 million for the corresponding six-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, especially the following:

* *For identification purpose only*

1. Revenue attributed to the Group's manufacturing business (including footwear, as well as soles, components and others) decreased by 17.5% to approximately US\$2,418.5 million, during the Period, compared with the corresponding period of last year. The decrease was mostly due to delayed shipments, reduced and cancelled order books from customers in response to lower consumer demand resulting from the COVID-19 pandemic. In addition, temporary factory shutdowns in China and Southeast Asian countries due to lockdowns and other social distancing measures imposed by governments upon the outbreak of the pandemic also hindered the operating efficiencies of the Group's manufacturing segment during the period.
2. The Group's manufacturing business also experienced operating deleveraging as a result of the reduced capacity utilization and decrease in revenue, which severely impacted its margins. In addition, in reaction to the challenging operating environment, the Group further adjusted its capacity allocations to strengthen its flexibility to cater to changing customer demand and closed its manufacturing facilities in Hubei, China during the first half of 2020. The Group also temporarily adjusted its manufacturing capacity in Southeast Asia in response to ongoing uncertainty and low visibility on customer demand. This led to a surge in one-off charges arising from such adjustments.
3. As for the Group's retail subsidiary, Pou Sheng International (Holdings) Limited ("**Pou Sheng**"), a net profit of approximately RMB17 million is expected to be recorded for the Period, representing a substantial decrease of more than 90% as compared to the net profit of approximately RMB 463 million for the corresponding period in 2019. The decrease in Pou Sheng's expected net profit is mainly attributable to the implementation of various strict control measures by the Chinese government to contain the spread of COVID-19, which adversely affected the operating results of Pou Sheng for the first quarter of this year. Pou Sheng's revenue for the second quarter of this year recovered to approximately RMB6,793 million, which was about the same level as the corresponding period of last year. However, gross profit margin of Pou Sheng deteriorated due to increased promotional activities to motivate customer spending.

There is still great uncertainty around how the COVID-19 pandemic may continue to impact the orders and sales visibility for the Group's manufacturing segment, which will inevitably impact the Group's performance throughout the remainder of 2020. In view of the short-term challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose strict cost control measures and focus on its cash flow management. The Group will continue to adopt a prudent approach to capital expenditure projects while embarking on the further fine-tuning of its production capacity during the rest of the year. Against the backdrop of the challenging business environment, the Group's financial and liquidity position remain healthy with a suitable level of cash holdings and an abundant level of bank facilities as at the date of this announcement.

The Company is in the process of preparing the unaudited consolidated interim 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 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 August 13, 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, July 24, 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