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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)

DISCLOSEABLE TRANSACTION MEMORANDUM OF UNDERSTANDING IN RELATION TO INVESTMENT IN INDIA

MEMORANDUM OF UNDERSTANDING

On April 17, 2023, the Project Company, an indirect wholly-owned subsidiary of the Company, entered into the Memorandum of Understanding with the Tamil Nadu Government pursuant to which the Project Company will invest approximately 23 billion Rupees (equivalent to approximately US\$276 million) in phases in the Project.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Total Investment Commitment of the Project Company pursuant to the Memorandum of Understanding is more than 5% but less than 25%, the Memorandum of Understanding constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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* *For identification purpose only*

A summary of certain principal terms of the Memorandum of Understanding is set out below.

- Date** : April 17, 2023

- Parties** : (1) the Project Company
(2) Tamil Nadu Government

- Subject matter** : The Project Company will invest in a development project to establish the Group’s manufacturing base in a special economic zone (hereinafter referred to as the “**SEZ**”) to be established by SIPCOT in Ulundurpet, Kallakurichi District, Tamil Nadu (hereinafter referred to as the “**Project**”) within the Investment Period in two phases.

GoTN will provide support, benefits and incentives according to the terms of the Memorandum of Understanding, including, inter alia:
 - (1) to provide infrastructure support to the Project Company, such as power, water supply, telecommunication facilities, road widening, etc.;
 - (2) to ensure allotment and handing over of land of 182.75 acres in the SEZ (hereinafter referred to as the “**Land**”) to the Project Company; and
 - (3) to provide certain subsidies and exemption or concessions in respect of certain types of taxes and duties.

- Investment commitment and Investment Period** : The Project Company will invest approximately 23 billion Rupees (equivalent to approximately US\$276 million) (hereinafter referred to as the “**Total Investment Commitment**”) in the Project within the Investment Period of 12 years in two phases.

The Project Company shall have flexibility on completing the commitments earlier or later within the overall Investment Period, and may change its commitments or the Investment Period subject to approval by the Tamil Nadu Government.

The Total Investment Commitment was proposed by the Group, having taken into account the expected production capacity and size of the plant to be established by the Project Company in the SEZ, and the estimated costs of construction and machineries with reference to the design and building of other plants of the Group in other country.

The Total Investment Commitment will be funded by the internal resources of the Group and/or bank borrowings, if necessary.

Nature : The Memorandum of Understanding is legally binding on the parties thereto.

INFORMATION ON THE GROUP AND PARTIES TO THE MEMORANDUM OF UNDERSTANDING

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products. Retail operation also includes provision of large scale commercial spaces to retailers and distributors.

The Project Company is a private company with limited liability incorporated under the laws of India. The principal activity of the Project Company is footwear manufacturing. The Project Company is an indirect wholly-owned subsidiary of the Company.

The Tamil Nadu Government is a governmental organization in Tamil Nadu, India. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Tamil Nadu Government is a third party independent of the Company and its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MEMORANDUM OF UNDERSTANDING

The Group is principally engaged in manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products. In the long term, the Group remains optimistic about the prospects for global sportswear demand alongside continually increasing awareness of health and wellness and the ongoing 'athleisure' trend. The Board considers that it is beneficial for the Group to diversify its manufacturing bases and capacities to India, as India offers a large supply of labour and extends favourable government policies to support the sustainable growth of the Group's business. Therefore, the Directors are of the view that the investment in the Project would be able to expand and diversify the Group's production capacities in an economically sound manner and also fulfill its corporate social responsibility to make a positive contribution to the neighbourhood communities.

In view of the above, the Directors are of the view that the terms of the Memorandum of Understanding (including the Total Investment Commitment of the Project Company) are on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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DEFINITIONS

In this announcement, the following terms have the meanings set forth opposite them:

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| “Board” | the board of Directors |
| “Company” | Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares are listed on the Main Board of the Stock Exchange with stock code 551 |
| “Directors” | the directors of the Company |
| “Group” | the Company and its subsidiaries from time to time |
| “India” | the Republic of India |
| “Investment Period” | the overall investment period of 12 years from the financial year 2023/24 to the financial year 2034/35 |
| “Land” | has the meaning ascribed to it in “MEMORANDUM OF UNDERSTANDING – Subject matter” |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Memorandum of Understanding” | the legally binding memorandum of understanding dated April 17, 2023 and entered into between the Project Company and the Tamil Nadu Government in relation to the Project |

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| “Project” | has the meaning ascribed to it in “MEMORANDUM OF UNDERSTANDING – Subject matter” |
| “Project Company” | High Glory Footwear India Private Limited, a private company with limited liability incorporated under the laws of India and an indirect wholly-owned subsidiary of the Company |
| “Rupee” | Rupee, the lawful currency of India |
| “SEZ” | has the meaning ascribed to it in “MEMORANDUM OF UNDERSTANDING – Subject matter” |
| “Shareholders” | holders of Shares |
| “Shares” | ordinary share(s) of HK\$0.25 each in the issued share capital of the Company |
| “SIPCOT” | State Industries Promotion Corporation of Tamil Nadu |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Tamil Nadu” | Tamil Nadu, state of India |
| “Tamil Nadu Government” or “GoTN” | The Government of Tamil Nadu, including Guidance, Tamil Nadu, the nodal agency of the Government of Tamil Nadu for investment promotion and facilitation |
| “Total Investment Commitment” | has the meaning ascribed to it in “MEMORANDUM OF UNDERSTANDING – Investment commitment and Investment Period” |
| “US\$” | United States dollar, the lawful currency of the United States of America |

For illustration purposes only, amounts denominated in Rupee in this announcement have been translated into US\$ at an exchange rate of 1: 0.012. No representation is made that any amounts in Rupee and US\$ can be or could have been converted at the relevant dates at the above rate or at any other rates at all.

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

Hong Kong, April 17, 2023

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. Liu George Hong-Chih and Mr. Shih Chih-Hung (Chief Financial Officer).

Independent Non-executive Directors:

Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Mr. Chen Chia-Shen.

Website: www.yueyuen.com