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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, 2023 (the “**Period**”), the Group is expected to record a decrease of 50% to 55% in profit attributable to owners of the Company (the “**Profit**”) for the Period as compared to the Profit of US\$175 million for the corresponding period in 2022.

Based on the information currently available to the Group, the aforesaid decrease in the Profit was mainly attributable to:

1. Decline in manufacturing business revenue: the revenue generated from the Group’s manufacturing business decreased by approximately 19% as compared with the corresponding period of last year, as the ongoing inventory destocking cycle across the footwear industry pushed down the short-term performance of the Group’s manufacturing business;
2. Operating deleverage within the manufacturing business: a weak order book and low visibility impacted the capacity utilization rate and operating efficiency of its manufacturing business, resulting in operating deleverage that affected its profitability; and

\* *For identification purpose only*

3. One-off charges related to capacity adjustments: during the Period, the Group made necessary adjustments to its manufacturing business to combat the volatile capacity utilization and as part of its long term capacity allocation plan. The related severance expenses amounted to approximately US\$21 million.

The Group's retail subsidiary Pou Sheng International (Holdings) Limited (“**Pou Sheng**”) saw decent recovery momentum during the Period following the lifting of all pandemic control measures in mainland China. In RMB terms, Pou Sheng's revenue increased by approximately 11% as compared with the corresponding period of last year, while the profit attributable to owners of Pou Sheng increased by approximately 1,654% to approximately RMB305 million, partly offsetting the decline of the Group's manufacturing business.

The uncertain macroeconomic outlook alongside conservative approaches being seen across the industry will continue to weigh on the order visibility of the Group's manufacturing business in the near term. The Group will continue to proactively monitor the situation and dynamically allocate its manufacturing capacity to balance demand, its order pipeline and labor supply. The Group will also focus on cost controls and cash flow management to ensure the healthiness of its liquidity and financial position.

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 auditor 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 11, 2023.

**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 28, 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 Dr. Yang Ju-Huei.*

*Website: [www.yueyuen.com](http://www.yueyuen.com)*