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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 three months ended 31 March 2018 (the “Period”), the Group is expected to record a decrease of around 20%-25% in its profit for the Period when compared to that for the corresponding three-month period in 2017.

Based on the information currently available to the Group, the aforesaid decrease in profit for the Period is mainly attributable to various factors, including the following:

1. A non-recurring profit totaling US\$19.2 million was recognized in the first three-month period in 2017, which included approximately US\$9.4 million of gain due to fair value changes on derivative financial instruments and US\$9.8 million of gain on disposal of associates. The Board expects such non-recurring gain to materially reduce during the Period.
2. Increase in finance costs by approximately US\$8.6 million during the Period as compared to the same period in 2017, attributable from increased borrowing to improve the Group’s capital structure.

* For identification purpose only

3. Manufacturing revenue during the Period decreased by around 6.7% due to unfavourable fluctuations in customer orders, together with unfavourable product mix which resulted in operating deleveraging effects. These negatively impacted gross profit margin for the manufacturing business.
4. During the Period, the Group's selling and distribution expenses as a percentage to overall revenue increased when compared to the same period of last year, alongside with the growth of revenue contribution from retail and distribution business.

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 of 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 quarterly results announcement of the Company to be published on 14 May 2018.

Shareholders of the Company and potential investors are advised to 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, 26 April 2018

As at the date of this announcement, the Board comprises the following members:

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. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Hsieh Yung Hsiang (also known as Alfred Hsieh).

Website: www.yueyuen.com