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 shareholders of the Company (the "**Shareholders**") and potential investors that based on a preliminary review of the unaudited consolidated financial statements of the Group for the six months ended June 30, 2026 (the "**Period**"), the Group is expected to record a decrease of approximately 55% to 60% in its profit attributable to owners of the Company (the "**Profit**") for the Period, as compared with a Profit of approximately US$171.2 million for the corresponding period in 2025.

Based on the information currently available to the Group, the aforesaid level of decrease in Profit is primarily attributable to multiple headwinds in the operating environment of the Group's manufacturing business. Weak demand led to a contraction in sales scale, which coupled with rising costs and increasing pressure on production efficiency, weighed on the gross profit margin of the Group's manufacturing business during the Period. Further analysis is set out below:

1. **Impact of Insufficient Demand and External Environment**: Against the backdrop of macroeconomic uncertainties, tariff policy and inflation risks, end-market demand for inventory stocking remained conservative, while brand customers adopted a more cautious approach to order placement. This resulted in heightened volatility in order demand during the Period, which led to a year-on-year decline of 4.7% in the Group's manufacturing business revenue compared with the same period of last year. The insufficient scale created operating deleveraging and was compounded by the adverse effect of tariff sharing arrangements;

2. **Impact of Rising Labor and Overhead Costs:** In line with the Group's long-term capacity allocation and the continued ramp-up of newly established facilities as scheduled, the headcount of manufacturing business increased year-on-year. This, together with rising wages across various regions as well as lower than targeted reduction of overtime and other non-value-added costs, collectively drove up overall labor and overhead costs;

**For identification purpose only*

3. **Impact of Production Scheduling Misalignment**: In the first quarter of 2026, the overlap of long holidays across the Group's three main production locations posed numerous challenges to production scheduling. Monthly order volatility across various factories intensified in the second quarter, making order allocation more difficult, while geopolitical and supply chain uncertainties further added to the disruption. Although the Group proactively coordinated order pacing to mitigate the related impact, production leveling across its manufacturing facilities remained highly uneven during the Period, resulting in a decline in production efficiency and further drove up the unit cost of footwear manufacturing.

The Group will continue to closely monitor the developments in the global economic and political environment. It will also continue to uphold responsiveness as its core guiding principle, balancing demand, order pipeline, and labor supply to safeguard its operational efficiency.

The information contained in this announcement is only based on a 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 or reviewed by the external auditor of the Company nor reviewed by the audit and risk management committee of the Company. As the Company is in the process of finalizing the unaudited consolidated financial statements of the Group for the Period, the actual results may be adjusted upon further review, and may be different from the information contained in this announcement. Shareholders and potential investors are advised to refer to the unaudited consolidated results announcement of the Group for the Period, which will be announced on August 12, 2026.

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, 2026

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. Chou Wei-Te, Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih and Mr. Chau Chi Ming (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