



PRESS RELEASE

Yue Yuen Announces Results for 1Q 2019

- Revenue in the first three months of 2019 increased 8.4% to US\$2,479.4 million, compared to US\$2,287.4 million for the same period of last year
- Gross profit increased 8.2% to US\$624.7 million, compared to the same period of last year
- Recurring profit attributable to owners of the Company fell 23.7% to US\$69.2 million, compared to the same period of last year
- Non-recurring profit for the period amounted to US\$6.2 million
- Profit attributable to owners of the Company amounted to US\$75.5 million, a decline of 20.9% compared to US\$95.4 million in the same period last year

(Hong Kong, May 14, 2019) – **Yue Yuen Industrial (Holdings) Limited** (together with its subsidiaries “the Group”, SEHK stock code: 551) today announced its unaudited consolidated results for the three month period ended March 31, 2019.

The Group recorded revenue of US\$2,479.4 million in the three months ended March 31, 2019, representing an increase of 8.4% compared to revenue of US\$2,287.4 million recorded in the same period in 2018. Profit attributable to owners of the Company decreased by 20.9% to US\$75.5 million, compared to US\$95.4 million recorded in the same period in 2018. It was mainly due to a reduction in the share of results from associates and joint ventures, as well as higher finance costs during the period.

During the period, a non-recurring profit totaling US\$6.2 million was recognized, which included a gain of US\$5.9 million due to fair value changes on financial assets at fair value through profit or loss (“FVTPL”). Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company amounted to US\$69.2 million, representing a decrease of 23.7% compared to the same period in 2018.

Business Review

Revenue

Total revenue attributable to footwear manufacturing activity (including athletic shoes, casual/outdoor shoes and sports sandals) during the period increased by 6.4% to US\$1,283.8 million, whereas the volume of shoes produced increased by 6.7% to 81.7 million pairs and the average selling price remained stable at US\$15.72 per pair, as compared with the same period of last year. As a result, the Group’s revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) during the period was US\$1,395.3 million, representing an increase of 5.0%.



Total Revenue by Product Category

	For the three months ended March 31				
	2019		2018		% change
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	
Athletic Shoes	1,017.2	41.0	938.0	41.0	8.4
Casual/Outdoor Shoes	229.9	9.3	241.4	10.5	(4.8)
Sports Sandals	36.7	1.5	27.0	1.2	35.9
Soles, Components & Others	111.5	4.5	123.0	5.4	(9.3)
Apparel Wholesale (TCHC Group)	108.0	4.3	99.5	4.4	8.5
Retail Sales – Shoes, Apparel & Leasing	976.1	39.4	858.5	37.5	13.7
Total Revenue	2,479.4	100.0	2,287.4	100.0	8.4

During the period, the revenue attributable to Pou Sheng, the Group’s retail subsidiary, increased by 13.7% to US\$976.1 million, compared to US\$858.5 million in the same period of last year. In RMB terms (Pou Sheng’s reporting currency), revenue during the first three months in 2019 increased by 19.9% to RMB6,597.0 million, compared to RMB5,502.9 million in the same period of last year.

Gross Profit

During the period, the Group’s gross profit increased by 8.2% to US\$624.7 million. This increase was mostly attributed to the strong growth momentum for sportswear sales globally, with Pou Sheng also contributing to the higher revenue growth thanks to the healthy sporting goods market in China. The gross profit of the manufacturing business increased by 2.3% to US\$253.7 million whilst the gross profit margin contracted by 0.5 percentage points to 18.2% as compared to the same period in 2018. The decrease in the gross profit margin for the manufacturing business was primarily due to fluctuating order patterns resulting from changing consumer demand, as well as challenges arising from the investments in manufacturing optimization for sustainable growth, including higher levels of automation and the debut of SAP ERP implementation, which resulted in temporary inefficiencies at some of its production facilities. Additionally, given the uncertainties in the global trade environment, we have and will further adjust production allocation by country in response to the changing sourcing strategies of some brand customers. These measures will require some time and resources to reach best operational efficiency.

The gross profit margin for the Group excluding Pou Sheng (i.e. the manufacturing business and TCHC Group) during the period was 19.6%.

Selling & Distribution Expenses and Administrative Expenses

The Group’s total selling and distribution expenses during the period amounted to US\$313.9 million (2018: US\$288.4 million), equivalent to approximately 12.7% (2018: 12.6%) of revenue, remaining stable.

Administrative expenses for the period were US\$158.9 million (2018: US\$143.9 million), equivalent to approximately 6.4% (2018: 6.3%) of revenue.



Non-recurring Profit

During the period, the Group recorded a non-recurring profit of US\$6.2 million, which included a gain of US\$5.9 million due to fair value changes on financial assets at FVTPL and a gain of US\$0.3 million on the deemed disposal of an associate. In the same period of 2018, the Group recorded a non-recurring profit of US\$4.7 million, which included a one-off gain of US\$4.3 million on the disposal of an associate and a fair value gain of US\$0.2 million on financial assets at FVTPL.

Share of Results from Associates and Joint Ventures (“Share of A& JV”)

During the period, the share of results from associates and joint ventures was a combined profit of US\$4.7 million, compared to a combined profit of US\$15.3 million recorded in the same period of last year.

Disposal of the Texas Clothing Holding Corp.

The Board announced that on May 7, 2019, the Group entered into an agreement with an independent third party to dispose all of its interest in the Texas Clothing Holding Corp. and its subsidiaries (TCHC Group). The maximum total amount which may be received by the Group from the transaction will not exceed approximately US\$150.0 million. Immediately after the closing of the disposal, TCHC Group will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the Group’s financial statements.

Based on the audited accounts, revenue of the TCHC Group was US\$395.0 million for the year, approximately 4.1% of the Group’s consolidated revenue for the year ended December 31, 2018. The net profit after taxation for the TCHC Group was US\$17.1 million, approximately 5.0% of the Group’s net profit for the year ended December 31, 2018.

The disposal is a part of the Company’s efforts to remain focused on its core business. The Group is expected to recognize a gain, net of transaction expenses, of approximately US\$3.0 million from the disposal based on the estimated financial information of TCHC Group on the closing date. Up to the closing date, the estimated net proceeds arising from the disposal is approximately US\$106.0 million, which will be used for the general working capital of the Group.

About Yue Yuen Industrial (Holdings) Limited

Yue Yuen (SEHK: 0551) is a global leader in the manufacture of athletic and casual/outdoor footwear with a diversified portfolio of brand customers and production sites. The Group’s production capacity is the world’s largest and is widely recognized for its responsiveness, flexibility, innovation, design and development capabilities, and superior quality. In addition, the Group puts workplace safety and sustainability at the core of its commitments.

The Group also operates one of the largest and integrated sportswear retail networks in the Greater China region, as well as event management and sport services (listed as Pou Sheng International (Holdings) Limited [SEHK: 3813]).

For more information on Yue Yuen, visit www.yueyuen.com. For more information on Pou Sheng, visit en.pousheng.com.



Yue Yuen Industrial (Holdings) Limited

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Yue Yuen Industrial (Holdings) Limited

Consolidated Income Statement

For the three months ended March 31, 2019

	For the three months ended March 31,	
	2019 (unaudited) US\$'000	2018 (unaudited) US\$'000
Revenue	2,479,385	2,287,391
Cost of sales	(1,854,676)	(1,710,035)
Gross profit	624,709	577,356
	(% of revenue)	
	25.20%	25.24%
Other income	34,648	38,779
Selling and distribution expenses	(313,889)	(288,375)
Administrative expenses	(158,912)	(143,913)
Other expenses	(62,361)	(58,321)
Finance costs	(24,526)	(16,346)
Share of results of associates	1,007	3,510
Share of results of joint ventures	3,703	11,790
Other gains and losses	6,245	4,660
Profit before taxation	110,624	129,140
Income tax expense	(22,550)	(23,853)
Profit for the period	88,074	105,287
	(% of revenue)	
	3.55%	4.60%
Attributable to:		
Owners of the Company	75,494	95,441
	(% of revenue)	
	3.04%	4.17%
Non-controlling interests	12,580	9,846
	<u>88,074</u>	<u>105,287</u>