



PRESS RELEASE

Yue Yuen Announces Results for the First Nine Months of 2019

- Revenue in the first nine months of 2019 increased 5.1% to US\$7,519.6 million, fueled by growth from both manufacturing and retail segments
- Gross profit increased 4.5% to US\$1,867.0 million, compared to the same period of last year
- Profit attributable to owners of the Company amounted to US\$229.4 million, an increase of 12.1% compared to US\$204.6 million in the same period last year

(Hong Kong, November 13, 2019) – **Yue Yuen Industrial (Holdings) Limited** (together with its subsidiaries “the Group”, SEHK stock code: 551) today announced its unaudited consolidated results for the nine month period ended September 30, 2019.

The Group recorded revenue of US\$7,519.6 million in the nine months ended September 30, 2019, representing an increase of 5.1% compared to revenue of US\$7,151.9 million recorded in the same period in 2018. Profit attributable to owners of the Company increased by 12.1% to US\$229.4 million, compared to US\$204.6 million recorded in the same period in 2018.

During the period, the Group recorded a non-recurring profit attributable to owners of the Company of US\$17.1 million, which included a gain of US\$19.1 million from the disposal of a subsidiary and a net loss of US\$1.0 million due to fair value changes on financial assets at fair value through profit or loss (“FVTPL”). In the same period of 2018, the Group recorded a non-recurring loss of US\$31.6 million, which included a net loss of US\$34.5 million on fair value changes on financial assets at FVTPL that was partly offset by a one-off gain arising from the disposal of associates and subsidiaries. Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company amounted to US\$212.4 million, representing a decrease of 10.1% 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 4.0% to US\$4,086.7 million, whereas the volume of shoes increased by 1.4% to 239.7 million pairs and average selling price increased by 2.6% to US\$17.05 per pair, as compared with the same period of last year primarily due to product portfolio optimization.

The Group’s total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) during the period was US\$4,437.3 million, representing an increase of 2.9%, as compared with the same period of last year.

Total Revenue by Product Category

	For the nine months ended September 30,				change
	2019		2018		
	<i>US\$ millions</i>	%	<i>US\$ millions</i>	%	%
Athletic Shoes	3,242.4	43.1	3,089.0	43.2	5.0
Casual/Outdoor Shoes	766.1	10.2	782.3	10.9	(2.1)
Sports Sandals	78.2	1.0	58.6	0.8	33.4
Soles, Components & Others	350.6	4.7	382.4	5.4	(8.3)
Apparel Wholesale (TCHC Group)	171.8	2.3	292.2	4.1	(41.2)
Retail Sales – Shoes, Apparel & Leasing	2,910.5	38.7	2,547.4	35.6	14.3
Total Revenue	7,519.6	100.0	7,151.9	100.0	5.1

During the period, the revenue attributable to Pou Sheng, the Group's retail subsidiary, increased by 14.3% to US\$2,910.5 million, compared to US\$2,547.4 million in the same period of last year. In RMB terms (Pou Sheng's reporting currency), revenue during the first nine months in 2019 increased by 20.2% to RMB19,996.0 million, compared to RMB16,636.1 million in the same period of last year.

Gross Profit

During the period, the Group's gross profit increased by 4.5% to US\$1,867.0 million. This increase was mostly attributed to the strong growth momentum for sportswear sales globally, with Pou Sheng also contributing to the higher growth thanks to the improvement in sell-through, as well as the healthy sporting goods market in China.

The gross profit of the manufacturing business decreased by 2.7% to US\$807.6 million whilst the gross profit margin contracted by 1.1 percentage points to 18.2%, as compared to the same period in 2018. The decrease in gross profit margin for the manufacturing business was primarily due to a combination of increased product complexity resulting from the current 'retro fashion' trend, growing demand for flexible production set-up such as dual-sourcing, as well as shifting production facilities among countries. It also resulted from challenges arising from the Group's investments in manufacturing optimization for its sustainable growth (including higher levels of automation and the debut of SAP ERP implementation), which resulted in temporary low efficiencies at some of its production facilities.

Selling & Distribution Expenses and Administrative Expenses

The Group's total selling and distribution expenses during the period amounted to US\$906.5 million (2018: US\$853.6 million), equivalent to approximately 12.1% (2018: 11.9%) of revenue, remaining stable.

Administrative expenses for the period were US\$505.9 million (2018: US\$480.6 million), equivalent to approximately 6.7% (2018: 6.7%) of revenue.



Yue Yuen Industrial (Holdings) Limited

Share of Results from Associates and Joint Ventures

During the period, the share of results from associates and joint ventures was a combined profit of US\$37.6 million, compared to a combined profit of US\$33.2 million recorded in the same period of last year.

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.

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Yue Yuen Industrial (Holdings) Limited

Consolidated Income Statement

For the nine months ended September 30, 2019

	For the nine months ended September 30,	
	2019 (unaudited) US\$'000	2018 (unaudited) US\$'000
Revenue	7,519,624	7,151,884
Cost of sales	(5,652,648)	(5,364,801)
Gross profit	1,866,976	1,787,083
	(% of revenue)	
	24.83%	24.99%
Other income	92,222	86,931
Selling and distribution expenses	(906,499)	(853,641)
Administrative expenses	(505,868)	(480,558)
Other expenses	(201,259)	(189,608)
Finance costs	(70,386)	(57,809)
Share of results of associates	20,318	12,549
Share of results of joint ventures	17,317	20,654
Other gains and losses	16,534	(31,642)
Profit before taxation	329,355	293,959
Income tax expense	(60,054)	(65,035)
Profit for the period	269,301	228,924
	(% of revenue)	
	3.58%	3.20%
Attributable to:		
Owners of the Company	229,437	204,565
	(% of revenue)	
	3.05%	2.86%
Non-controlling interests	39,864	24,359
	<u>269,301</u>	<u>228,924</u>