



PRESS RELEASE

Yue Yuen Announces Results for the First Three Months of 2020

- Revenue in the first three months of 2020 fell 20.6% to US\$1,969.5 million, compared to US\$2,479.4 million for the same period of last year
- Gross profit fell 33.4% to US\$415.9 million, compared to the same period of last year
- Non-recurring loss for the period amounted to US\$20.2 million
- Loss attributable to owners of the Company amounted to US\$56.3 million, compared to a profit attributable to owners of the Company of US\$75.5 million in the same period of last year

(Hong Kong, May 14, 2020) – **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, 2020.

The Group recorded revenue of US\$1,969.5 million in the three months ended March 31, 2020, representing a decrease of 20.6% compared to revenue of US\$2,479.4 million recorded in the same period of 2019. The loss attributable to owners of the Company was US\$56.3 million, compared to a profit attributable to owners of the Company of US\$75.5 million recorded in the same period of 2019. The fall in revenue and the loss attributable to owners of the Company was mostly attributed to the 2019 Novel Coronavirus (“COVID-19”) pandemic, which significantly impacted the Group’s operations.

During the period, the Group recorded a non-recurring loss of US\$20.2 million, which included a loss of US\$33.7 million due to fair value changes on financial instruments at fair value through profit or loss (“FVTPL”) that was partly offset by a one-off gain of US\$11.4 million on the partial disposal of an interest in a joint venture. In the same period of 2019, 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 instruments at FVTPL. Excluding all items of non-recurring in nature, the recurring loss attributable to owners of the Company amounted to US\$36.1 million.

Business Review

Revenue

Total revenue attributable to footwear manufacturing activity (including athletic shoes, casual/outdoor shoes and sports sandals) during the period decreased by 8.9% to US\$1,169.4 million, whereas the volume of shoes shipped decreased by 12.5% to 71.5 million pairs. The decrease was mostly due to shipment delays amid lower operating efficiency at some of the Group’s manufacturing facilities in China and other countries resulting from the COVID-19 pandemic. The pandemic delayed work resumption at the Group’s factories in China after the Lunar New Year; it also adversely impacted its supply chain, resulting in a shortage of certain raw materials. This also led to additional production capacity adjustments in China and other countries. The average selling price increased by 4.1% to US\$16.36 per pair, as compared with the same period of last year.

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\$1,261.4 million, representing a decrease of 9.6% as compared with the same period of last year.



Total Revenue by Product Category

	For the three months ended March 31,				
	2020		2019		change
	US\$ million	%	US\$ million	%	
Athletic Shoes	1,034.9	52.5	1,017.2	41.0	1.7
Casual/Outdoor Shoes	104.1	5.3	229.9	9.3	(54.7)
Sports Sandals	30.4	1.5	36.7	1.5	(17.2)
Soles, Components & Others	92.0	4.7	111.5	4.5	(17.5)
Apparel Wholesale (TCHC Group)*	N/A	N/A	108.0	4.3	N/A
Retail Sales – Shoes, Apparel, Commissions from Concessionaire Sales and Others	708.1	36.0	976.1	39.4	(27.5)
Total Revenue	1,969.5	100.0	2,479.4	100.0	(20.6)

* TCHC Group was disposed on May 31, 2019

During the period, the revenue attributable to Pou Sheng, the Group's retail subsidiary, decreased by 27.5% to US\$708.1 million, compared to US\$976.1 million in the same period of last year. In RMB terms (Pou Sheng's reporting currency), revenue during the first three months in 2020 decreased by 25.0% to RMB4,947.1 million, compared to RMB6,597.0 million in the same period of last year. The decrease was a result of various strict control measures implemented by the Chinese government to contain the spread of COVID-19, which resulted in the temporary closure of Pou Sheng's business offices and retail stores between Lunar New Year and mid-March 2020.

Gross Profit

During the period, the Group's gross profit decreased by 33.4% to US\$415.9 million. The gross profit of the manufacturing business decreased by 21.9% to US\$198.2 million whilst the gross profit margin contracted by 2.5 percentage points to 15.7%, as compared to the same period in 2019. The decrease in the gross profit margin for the manufacturing business was primarily due to the impact of COVID-19 on the Group's operations and adjustments made to its production capacity.

Selling & Distribution Expenses and Administrative Expenses

The Group's total selling and distribution expenses during the period amounted to US\$234.2 million (2019: US\$313.9 million), equivalent to approximately 11.9% (2019: 12.7%) of revenue.

Administrative expenses for the period were US\$185.0 million (2019: US\$158.9 million), equivalent to approximately 9.4% (2019: 6.4%) of revenue.

Share of Results of Associates and Joint Ventures

During the period, the share of results from associates and joint ventures was a combined profit of US\$4.9 million, compared to a combined profit of US\$4.7 million recorded in the same period of last year.



Outlook

The spread of COVID-19 to the US and Europe had severely dampened global consumer demand for athletic footwear, the chain effect of which is negatively affecting both footwear manufacturers and sports retailers. In addition, government lockdowns and other social distancing measures being imposed in various Southeast Asian countries to contain the COVID-19 pandemic is expected to further hinder the operating efficiency of the Group’s manufacturing facilities in this region. This, together with demand uncertainty, may result in temporary factory closures and further adjustments to the Group’s production capacity.

There is still great uncertainty around how the COVID-19 pandemic may continue to impact orders and sales visibility for the Group’s various business segments, which will inevitably impact its performance throughout the remainder of 2020. In view of the challenges and uncertainties ahead, the Group will continue to proactively monitor the situation and impose cost control measures as appropriate. The Group will also focus on its cash flow management, including adopting a more prudent approach when evaluating capital expenditure projects in 2020.

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 three months ended March 31, 2020

	For the three months ended March 31,	
	2020 (unaudited) US\$'000	2019 (unaudited) US\$'000
Revenue	1,969,468	2,479,385
Cost of sales	(1,553,572)	(1,854,676)
Gross profit	415,896	624,709
	(% of revenue)	
	21.12%	25.20%
Other income	38,705	34,648
Selling and distribution expenses	(234,161)	(313,889)
Administrative expenses	(184,994)	(158,912)
Other expenses	(53,957)	(62,361)
Finance costs	(20,721)	(24,526)
Share of results of associates	3,820	1,007
Share of results of joint ventures	1,080	3,703
Other gains and losses	(20,198)	6,245
(Loss) profit before taxation	(54,530)	110,624
Income tax expense	(10,763)	(22,550)
(Loss) profit for the period	(65,293)	88,074
	(% of revenue)	
	-3.32%	3.55%
Attributable to:		
Owners of the Company	(56,281)	75,494
	(% of revenue)	
	-2.86%	3.04%
Non-controlling interests	(9,012)	12,580
	<u>(65,293)</u>	<u>88,074</u>