



**PRESS RELEASE**

**Yue Yuen Announces Results for 1Q 2018**

- Revenue increased 8.9% to US\$2,287.4 million, compared to US\$2,100.8 million for the same period of last year
- Gross profit increased 9.8% to US\$577.4 million, compared to the same period of last year
- Recurring profit attributable to owners of the Company fell 13.8% to US\$90.8 million, compared to the same period of last year
- Non-recurring profit for the period amounted to US\$4.7 million
- Profit attributable to Owners of the Company amounted to US\$95.4 million, a decrease of 23.3% compared to US\$124.5 million in the same period last year

(Hong Kong, May 14, 2018) – **Yue Yuen Industrial (Holdings) Limited** (together with its subsidiaries “the Group”, stock code: 551) today announced its unaudited consolidated results for the three month period ended March 31, 2018.

The Group recorded revenue of US\$2,287.4 million in the three months ended March 31, 2018, an increase of 8.9% compared to revenue of US\$2,100.8 million recorded in the same period in 2017. Profit attributable to owners of the Company decreased by 23.3% to US\$95.4 million, compared to US\$124.5 million recorded in the same period in 2017. It was mainly due to operating deleverage from the sales decline within the manufacturing business, a reduction of the non-recurring gain for the period, as well as higher finance costs during the period.

During the period, a non-recurring profit totaling US\$4.7 million was recognized, which included a gain of US\$0.2 million due to fair value changes on derivative financial instruments and a gain of US\$4.3 million from the disposal of an associate. Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company amounted to US\$90.8 million, representing an decrease of 13.8% compared to the same period in 2017.

**Business Review**

**Revenue**

Total revenue attributable to footwear manufacturing activity (including athletic shoes, casual/outdoor shoes and sports sandals) during the period decreased by 6.3% to US\$1,206.4 million, whereas the volume of shoes produced and average selling price per pair decreased by 5.1% to 76.6 million pairs and by 1.3% to US\$15.75 per pair, respectively, as compared with the same period of last year. As a result, the total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) and the apparel wholesale business during the period was US\$1,428.9 million, representing an increase of 0.3%.



## Yue Yuen Industrial (Holdings) Limited

### Total Revenue by Product Category

	For the 3 months ended March 31, 2018		2017		% change
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	938.0	41.0	996.1	47.4	(5.8)
Casual/Outdoor Shoes	241.4	10.5	261.4	12.5	(7.7)
Sports Sandals	27.0	1.2	29.8	1.4	(9.4)
Soles, Components & Others	123.0	5.4	137.1	6.5	(10.3)
Apparel Wholesale	99.5	4.4	N/A	N/A	N/A
Retail Sales – shoes, apparel & leasing	858.5	37.5	676.4	32.2	26.9
<b>Total Revenue</b>	<b>2,287.4</b>	<b>100.0</b>	<b>2,100.8</b>	<b>100.0</b>	<b>8.9</b>

During the period, the revenue attributable to Pou Sheng, the Group's retail subsidiary, increased by 26.9% to US\$858.5 million, compared to US\$676.4 million in the same period of last year. In RMB terms (Pou Sheng's operating currency), revenue during the first three months of 2018 increased by 17.7% to RMB5,502.9 million, compared to RMB 4,674.1 million in the same period of last year.

### Gross Profit

During the period, the Group's gross profit increased by 9.8% to US\$577.4 million. Due to unfavorable fluctuations in customer orders, together with an unfavorable product mix that resulted in operating deleverage, the gross profit of the manufacturing business decreased by 17.1% to US\$248.0 million during the period. As such, the gross profit margin for the manufacturing business during the period fell by 2.3 percentage points to 18.7%.

The gross profit margin for the Group excluding Pou Sheng (i.e. the manufacturing business and the apparel wholesale business) during the period was 20.1%.

### Selling & distribution expenses and administrative expenses

The Group's total selling and distribution expenses during the period amounted to US\$288.4 million (2017: US\$213.7 million), equivalent to approximately 12.6% (2017: 10.2%) of revenue. The increase in selling and distribution expenses was mostly attributable to the Group's retail business, which has been exploring and investing in a variety of initiatives to adapt to the shifting market dynamics. In RMB term, Pou Sheng's selling and distribution expenses increased by 18.5%, compared to the same period of last year.

Administrative expenses for the period were US\$143.9 million (2017: US\$151.0 million) and remained stable, equivalent to approximately 6.3% (2017: 7.2%) of revenue.

### Fair value changes on derivative financial instruments

During the period, the Group recorded a gain of US\$0.2 million due to fair value changes on derivative financial instruments, compared to a gain of US\$9.4 million during the same period of last year.



## Yue Yuen Industrial (Holdings) Limited

### 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\$15.3 million, compared to a combined profit of US\$14.2 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 event management and sport services (listed as Pou Sheng International (Holdings) Limited [SEHK: 3813]).

For more information on Yue Yuen, visit [www.yueyuen.com](http://www.yueyuen.com). For more information on Pou Sheng, visit [en.pousheng.com](http://en.pousheng.com).

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## Yue Yuen Industrial (Holdings) Limited

### Consolidated Income Statement

For the three months ended March 31, 2018

	<b>2018</b> <b>(unaudited)</b> <b>3 months</b> US\$'000	<b>2017</b> <b>(unaudited)</b> <b>3 months</b> US\$'000
Revenue	2,287,391	2,100,810
Cost of sales	(1,710,035)	(1,574,793)
Gross profit	577,356	526,017
<i>(% of revenue)</i>	25.24%	25.04%
Other income	38,779	27,967
Selling and distribution expenses	(288,375)	(213,712)
Administrative expenses	(143,913)	(151,023)
Other expenses	(58,321)	(59,758)
Finance costs	(16,346)	(7,709)
Share of results of associates	3,510	8,432
Share of results of joint ventures	11,790	5,810
Other Gains and Losses	4,660	19,197
Profit before taxation	129,140	155,221
Income tax expense	(23,853)	(22,764)
Profit for the period	105,287	132,457
<i>(% of revenue)</i>	4.60%	6.31%
Attributable to:		
Owners of the Company	95,441	124,491
<i>(% of revenue)</i>	4.17%	5.93%
Non-controlling interests	9,846	7,966
	<u>105,287</u>	<u>132,457</u>