YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED
裕元工業（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

UNAUDITED CONSOLIDATED RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2021

Summary

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the three months ended March 31, 2021. This announcement is made as part of the Company's current practice to publish its financial results quarterly and pursuant to paragraph 13.09(2) of the Listing Rules and Part XIVA of the SFO.

The unaudited consolidated profit attributable to owners of the Company for the three months ended March 31, 2021 was approximately US$85.4 million.

The directors (the "Directors") of Yue Yuen Industrial (Holdings) Limited ("the Company") are making this announcement of the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended March 31, 2021 in line with its current practice to publish the Group's financial results quarterly and pursuant to paragraph 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

* *For identification purpose only*

Consolidated Income Statement
For the three months ended March 31, 2021

	For the three months ended March 31,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue	**2,493,272**	1,969,468
Cost of sales	**(1,858,106)**	(1,553,572)
Gross profit	**635,166**	415,896
Other income	**30,996**	38,705
Selling and distribution expenses	**(319,950)**	(234,161)
Administrative expenses	**(150,616)**	(154,994)
Other expenses	**(54,827)**	(83,957)
Finance costs	**(13,767)**	(20,721)
Share of results of associates	**8,559**	3,820
Share of results of joint ventures	**11,539**	1,080
Other gains and losses	**(1,096)**	(20,198)
Profit (loss) before taxation	**146,004**	(54,530)
Income tax expense	**(37,160)**	(10,763)
Profit (loss) for the period	**108,844**	(65,293)
Attributable to:		
Owners of the Company	**85,379**	(56,281)
Non-controlling interests	**23,465**	(9,012)
	108,844	(65,293)

Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2021

	For the three months ended March 31,	
	2021	2020
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Profit (loss) for the period	**108,844**	(65,293)
Other comprehensive income (expense)		
Items that will not be reclassified subsequently to profit or loss:		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	**1,906**	(10,902)
Share of other comprehensive income (expense) of an associate	**2,189**	(1,097)
	4,095	(11,999)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**(10,895)**	(19,235)
Share of other comprehensive expense of associates and joint ventures	**(9,218)**	(7,147)
Reserve released upon disposal of associates	**(868)**	(270)
	(20,981)	(26,652)
Other comprehensive expense for the period	**(16,886)**	(38,651)
Total comprehensive income (expense) for the period	**91,958**	(103,944)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	**72,743**	(86,980)
Non-controlling interests	**19,215**	(16,964)
	91,958	(103,944)

Basis of preparation and principal accounting policies

The unaudited consolidated results for the three months ended March 31, 2021 have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amount or fair values as appropriate.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies applied and methods of computation used in the unaudited consolidated results for the three months ended March 31, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020. The comparative figures of administrative expenses and other expenses in the consolidated income statement were reclassified to conform to the presentation in the current period.

In the current period, the Group has applied, for the first time, certain amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group's unaudited consolidated results for the three months ended March 31, 2021. The adoption of the amendments to HKFRSs does not have material impact on the Group's results and financial positions for the current or prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Global consumer sentiment and supply chain capacity started to normalize in the first three months of 2021 as economies around the world started to emerge from the downturn caused by the Novel Coronavirus ("COVID-19") pandemic. The Group realized a considerable improvement in the performance of its manufacturing and retail businesses during the period. On the manufacturing side, the Group saw recovery in global demand for its products, despite continuing to see volatility due to the COVID-19 pandemic. This facilitated an improvement in production efficiency during the quarter, supporting the Company's growth recovery and return to profitability.

The Group's retail subsidiary Pou Sheng International (Holdings) Limited ("Pou Sheng") saw a sustained turnaround during the period, as it further leveraged increasing health awareness among consumers post COVID-19, rising sports participation rates and the growing 'athleisure' trend in the Greater China region. It continued to see robust growth in its omni-channels driven by its increasingly diverse B2C channels and the integration of sports services content across all of its channels, enriching the consumer experience. For more financial details of the Group's retail business, please refer to the results announcement of Pou Sheng.

Revenue Analysis

The Group recorded revenue of US$2,493.3 million in the three months ended March 31, 2021, representing an increase of 26.6% compared to revenue of US$1,969.5 million in the same period of 2020. The increase in revenue was attributable to increased orders amidst the ongoing recovery of global demand for the Group's products and an increase in production efficiency, on top of a low-base effect due to the COVID-19 pandemic in 2020. In addition, Pou Sheng's growth continued to accelerate alongside the quick rebound of the sportswear markets in mainland China.

In the three months ended March 31, 2021, the revenue attributable to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 3.9% to US$1,214.4 million, compared with the same period of last year. Although benefiting strongly from demand recovery, the volume of shoes shipped during the period decreased by 4.5% to 68.3 million pairs, a result of the Group's efforts to refine and optimize its capacity and product mix. The average selling price increased by 8.7% to US$17.79 per pair, as compared with the same period of last year, led largely by growing demand for high-end categories in the Group's product portfolio.

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$1,365.6 million, representing an increase of 8.3% as compared with the same period of last year. While all categories experienced consumer-led recovery during the period, the increase in overall manufacturing revenue was supported by the exceptional growth of the Group's Soles, Components & Others category, which grew 64.3% year-on-year.

During the period, the revenue attributable to Pou Sheng, the Group's retail subsidiary, increased by 59.3% to US$1,127.7 million, compared to US$708.1 million in the same period of last year. In RMB terms (Pou Sheng's reporting currency), revenue during the first three months in 2021 increased by 47.7% to RMB7,306.8 million, compared to RMB4,947.1 million in the same period of last year. The increase in revenue was mainly attributed to sustained consumer recovery in China amid the fading of COVID-19 and the reopening since the second quarter of 2020.

Total Revenue by Category

	For the three months ended March 31,				
	2021		2020		*change*
	US$ million	*%*	*US$ million*	*%*	*%*
Athletic/Outdoor Shoes*	**1,020.2**	**40.9**	990.8	50.3	3.0
Casual Shoes & Sports Sandals*	**194.2**	**7.8**	178.6	9.0	8.7
Soles, Components & Others	**151.2**	**6.1**	92.0	4.7	64.3
Pou Sheng **	**1,127.7**	**45.2**	708.1	36.0	59.3
Total Revenue	**2,493.3**	**100.0**	1,969.5	100.0	26.6

* *1Q20 figures were restated in accordance with the Group's new category classification*

** *Sales of the Group's retail subsidiary in China, including shoes, apparel, commissions from concessionaire sales and others*

Gross Profit

During the period, the Group's gross profit increased by 52.7% to US$635.2 million. The gross profit of the manufacturing business increased by 25.2% to US$248.1 million whilst the gross profit margin expanded by 2.5 percentage points to 18.2%, as compared to the same period in 2020. The above mentioned improvement was primarily due to a higher order fill rate and a more balanced capacity utilization of around 87%, which increased operational efficiency.

The gross profit margin for Pou Sheng during the period increased nicely by 3.6 percentage points to 34.3% as compared to the same period in 2020, mainly attributed to enhanced sales mix. Gross profit margins for both of the overall Group and Pou Sheng also saw sequential improvement during the first quarter of 2021, as compared to the last quarter of 2020.

Selling & Distribution Expenses, Administrative Expenses and Other Income/ Expenses

The Group's total selling and distribution expenses during the period amounted to US$320.0 million (2020: US$234.2 million), equivalent to approximately 12.8% (2020: 11.9%) of revenue.

Administrative expenses for the period were US$150.6 million (2020: US$155.0 million*), equivalent to approximately 6.0% (2020: 7.9%*) of revenue.

Net other expenses decreased by 47.3% to US$23.8 million (2020: US$45.3 million*), equivalent to 1.0% (2020: 2.3%*) of revenue. The sharp decrease was mostly due to a high base in the same period of 2020, the majority of which were one-off charges totaling US$30.0 million arising from factory adjustments on the manufacturing side.

* *The expenses relating to one-off capacity adjustment in 1Q20 were restated and reclassified from Administrative Expenses to Other Expenses*

Share of Results of Associates and Joint Ventures

During the period, the share of results of associates and joint ventures was a combined profit of US$20.1 million, compared to a combined profit of US$4.9 million recorded in the same period of last year.

Profit/Loss Attributable to Owners of the Company

The profit attributable to owners of the Company was US$85.4 million, compared with a loss of US$56.3 million attributable to owners of the Company recorded in the same period of last year.

During the period, the Group recorded a non-recurring loss attributable to owners of the Company of US$0.5 million, which included a gain of US$6.1 million due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL"), offsetting an impairment loss of US$7.6 million on interest in an associate. In the same period of 2020, the Group recorded a non-recurring loss attributable to owners of the Company of US$20.2 million, which included a loss of US$33.7 million due to fair value changes on financial instruments at 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. Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company amounted to US$85.9 million for the three months ended March 31, 2021.

Outlook

Despite experiencing a good start to the year, the Group recognizes the uncertainties that remain in the months ahead, including the risk of continued volatility in consumer sentiment, as well as the operational risks posed by the resurgence of COVID-19 in certain Southeast Asian countries where a small number of its production sites are located, which could disrupt the recovery of its manufacturing order book. In respect of the retail business – Pou Sheng, the Group will closely monitor recent changes in retail sentiment in Mainland China and the potential drawback this may have on growth.

Quality of growth, profitability and efficiency remain the Group's main priorities in 2021. The Company will ensure a smoother ramp-up of its manufacturing capacity in the coming quarters, in line with increasing demand and the order pipeline on the manufacturing side. The Group will continue to swiftly adapt to the changing operational environment and will resume its capital expenditure program in strategic areas, which includes investments in automation, capacity migration and optimization, SAP ERP implementation, as well as in the expansion and upgrade of experience-driven retail stores in Greater China. This will allow the Group to further meet customer demands for quality, flexibility and experiences while sustaining a stable recovery and long term growth prospects.

By Order of the Board
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

Hong Kong, May 13, 2021

As at the date of this announcement, the Directors are:

Executive Directors:
Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chan Lu Min, Mr. Lin Cheng-Tien, Mr. Hu Chia-Ho, Mr. Liu George Hong-Chih and Mr. Yu Huan-Chang.

Independent Non-executive Directors:
Mr. Wong Hak Kun, Mr. Ho Lai Hong, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Chen Chia-Shen.

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