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 NINE MONTHS ENDED SEPTEMBER 30, 2024

Summary

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the nine months ended September 30, 2024. 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 nine months ended September 30, 2024 was approximately US$331.7 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 (collectively referred to as the "Group") for the nine months ended September 30, 2024 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 nine months ended September 30, 2024

	For the nine months ended September 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue	**6,075,307**	5,986,621
Cost of sales	**(4,602,987)**	(4,577,038)
Gross profit	**1,472,320**	1,409,583
Other income	**88,642**	99,065
Selling and distribution expenses	**(624,157)**	(680,417)
Administrative expenses	**(416,144)**	(421,173)
Other expenses	**(118,784)**	(175,132)
Finance costs	**(48,233)**	(64,969)
Share of results of associates	**40,575**	35,571
Share of results of joint ventures	**17,838**	11,809
Other gains and losses	**26,449**	3,658
Profit before taxation	**438,506**	217,995
Income tax expense	**(84,405)**	(56,290)
Profit for the period	**354,101**	161,705
Attributable to:		
Owners of the Company	**331,658**	137,676
Non-controlling interests	**22,443**	24,029
	354,101	161,705

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2024

	For the nine months ended September 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Profit for the period	**354,101**	161,705
Other comprehensive income (expense)		
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments at fair value through other comprehensive income	**5,536**	(1,336)
Share of other comprehensive income (expense) of associates	**159**	(13,182)
	5,695	(14,518)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**20,997**	(61,790)
Share of other comprehensive expense of associates and joint ventures	**(731)**	(6,764)
Reserve release upon partial disposal of associates	**1,510**	–
Reserve release upon deemed disposal of an associate	**316**	–
	22,092	(68,554)
Other comprehensive income (expense) for the period	**27,787**	(83,072)
Total comprehensive income for the period	**381,888**	78,633
Total comprehensive income for the period attributable to:		
Owners of the Company	**350,951**	78,102
Non-controlling interests	**30,937**	531
	381,888	78,633

Basis of preparation and principal accounting policies

The Group's unaudited consolidated results for the nine months ended September 30, 2024 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 Group's unaudited consolidated results for the nine months ended September 30, 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2023.

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, 2024 for the preparation of the Group's unaudited consolidated results for the nine months ended September 30, 2024. The adoption of the amendments to HKFRSs does not have material impact on the Group's unaudited consolidated results and financial positions for the current or prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the third quarter of 2024, the Group saw a substantial rise in demand for its footwear products, driven by the further normalization of the global footwear market. Strong order fulfilment within its manufacturing business led to a higher overall capacity utilization rate and improved production efficiency. In addition, brand customers prioritized strategic supply chain partners with strong development capabilities, further supporting this positive trend. Operationally, the third quarter of the year was uncharacteristically solid and not a low season for the Group's manufacturing business. Demand for its production capacity continued to outstrip supply, with footwear shipment volumes growing strongly and the decline in average selling price narrowing quarter-on-quarter. The Group continued to balance demand and its order pipeline. Uneven production leveling across its various manufacturing plants improved sequentially, supported by flexible production scheduling and orderly overtime arrangement, alongside the steady ramp-up of new production capacity throughout this year.

Meanwhile, sales momentum at the Group's retail subsidiary, Pou Sheng International (Holdings) Limited ("Pou Sheng") remained soft, with weak store traffic across various cities in mainland China amid a mixed consumption landscape. Despite the weak store traffic, Pou Sheng continuously improved sales conversion rates within its retail stores while optimizing store-level productivity and efficiency. At the same time, Pou Sheng's omni-channel sales remained relatively resilient as it continued to push ahead with its digital transformation strategy and maintain a high degree of agility and flexibility in its decision-making processes. For more financial details of the Group's retail business, please refer to the results announcement of Pou Sheng.

Furthermore, the Group maintained its sustained focus on cost streamlining initiatives. Together with expense controls in both of its manufacturing business and Pou Sheng, this supported improved operational efficiency and solid growth in profitability at the Group level.

Revenue Analysis

For the nine months ended September 30, 2024 (the "Period"), the Group recorded revenue of US$6,075.3 million, representing an increase of 1.5% compared to revenue of US$5,986.6 million in the corresponding period of last year.

For the Period under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) increased by 8.2% to US$3,782.7 million, compared with the corresponding period of last year. The shoes order fulfilment strengthened quarter-on-quarter, driving an acceleration in footwear shipment volume growth during the Period, with a year-on-year increase of 16.2% to 186.9 million pairs. The average selling price decreased by 6.8% to US$20.24 per pair due to a high base effect and changes to the Group's product mix.

The Group's athletic/outdoor shoes category accounted for 85.9% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 14.1% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 53.5% of total revenue, followed by casual shoes and sports sandals, which accounted for 8.8% of total revenue.

The Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US$4,135.5 million for the Period under review, representing an increase of 9.0% as compared to the corresponding period of last year.

For the Period under review, the revenue attributable to Pou Sheng decreased by 11.6% to US$1,939.8 million, compared to US$2,193.8 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 9.5% to RMB13,984.2 million, compared to RMB15,443.7 million in the corresponding period of last year, which was mostly attributable to weak store traffic amid an increasingly dynamic retail environment in mainland China, despite the relatively resilient performance of its omni-channels.

Total Revenue by Category

	For the nine months ended September 30,				
	2024		2023		change
	US$ million	**%**	*US$ million*	%	%
Athletic/Outdoor Shoes	**3,248.1**	**53.5**	3,030.1	50.6	7.2
Casual Shoes & Sports Sandals	**534.6**	**8.8**	464.4	7.8	15.1
Soles, Components & Others	**352.8**	**5.8**	298.3	5.0	18.3
Pou Sheng*	**1,939.8**	**31.9**	2,193.8	36.6	(11.6)
Total Revenue	**6,075.3**	**100.0**	5,986.6	100.0	1.5

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

Gross Profit

For the Period under review, the Group's gross profit increased by 4.5% to US$1,472.3 million, with the overall gross profit margin increasing by 0.7 percentage points to 24.2%. The gross profit of the manufacturing business increased by 18.8% to US$812.3 million, with the gross profit margin of the manufacturing business increasing by 1.6 percentage points to 19.6% as compared with the corresponding period of last year, which was mainly attributed to the strong demand for its footwear manufacturing orders that led to a substantial increase in its overall capacity utilization rate and production efficiency, as well as the steady ramp-up of new production capacity that is largely offsetting the negative impact from uneven production leveling.

The gross profit margin for Pou Sheng in the Period was 34.0%, an increase of 0.9 percentage points, with well-managed discount controls and effective inventory management.

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

For the Period under review, the Group's total selling and distribution expenses decreased by 8.3% to US$624.2 million (2023: US$680.4 million), equivalent to approximately 10.3% (2023: 11.4%) of revenue.

Administrative expenses decreased by 1.2% to US$416.1 million (2023: US$421.2 million), equivalent to approximately 6.8% (2023: 7.0%) of revenue.

Other income decreased by 10.6% to US$88.6 million (2023: US$99.1 million), equivalent to approximately 1.5% (2023: 1.7%) of revenue. Other expenses decreased by 32.2% to US$118.8 million (2023: US$175.1 million), equivalent to approximately 2.0% (2023: 2.9%) of revenue, within which no expenses for production capacity adjustments were incurred for the Period, compared to one-off expenses of approximately US$30.5 million for production capacity adjustments during the corresponding period of 2023. As a result, the Group's net operating expenses for the Period decreased by US$107.1 million or 9.1%.

Share of Results of Associates and Joint Ventures

For the Period under review, the share of results of associates and joint ventures was a combined profit of US$58.4 million, compared to a combined profit of US$47.4 million recorded in the corresponding period of last year.

Profit Attributable to Owners of the Company

For the Period under review, the profit attributable to owners of the Company amounted to US$331.7 million, representing an increase of 140.9% as compared with that of US$137.7 million recorded in the corresponding period of last year.

For the Period under review, the Group recognized a non-recurring profit attributable to owners of the Company of US$26.4 million, including a one-off gain of US$24.1 million on the partial disposal of associates, as compared to US$3.6 million recognized in the corresponding period of last year. As a result, excluding all items non-recurring in nature, the recurring profit attributable to owners of the Company for the Period under review was US$305.2 million, representing an increase of 127.8% as compared with US$134.0 million for the corresponding period of last year.

Outlook

The Group firmly believes in the solid demand for preferred high-quality suppliers in the global footwear industry, amid a further normalized order book. However, the overall business environment will remain unsettled in the short-term due to uncertainties stemming from global macroeconomic conditions, including uneven consumer confidence amid the start of a global interest rate easing cycle, as well as regional conflicts and its impact on shipping lanes.

Yue Yuen will further strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies. It will monitor the dynamic business environment and adopt a comprehensive capacity expansion plan, aiming to balance strong short-term demand with its production scheduling, while reducing the potential impact from its up-front investments in new production plants and the capacity ramp-up cycle for the expanded production lines in the existing facilities. This approach will enhance its overall production efficiency. Meanwhile, the Group will leverage its core competitive edges and superior adaptability, supported by cost and expense controls, to safeguard its profitability while focusing on maintaining a healthy cash flow and a solid financial position.

The Group remains optimistic about the long-term prospects of the sports industry and remains committed to its mid to long-term capacity allocation strategy. This includes diversifying its manufacturing capacity in regions such as Indonesia and India where labor supply and infrastructure are supportive of sustainable growth. For Pou Sheng, it will continue to enhance its operational efficiency by dynamically managing its brick and mortar and omni-channel footprint, broadening its category offerings, maximizing its strategic partnerships with business associates, and maintaining dynamic inventory controls.

The Group will continue to exploit its strategy of prioritizing value growth by leveraging its integrated product development capabilities, which combine automation technology and research and development strength, to safeguard its core competitiveness as an industry leader, continue providing its brand partners with the best possible end-to-end solutions, and deliver quality returns to shareholders.

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

Hong Kong, November 11, 2024

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. Liu George Hong-Chih and Mr. Shih Chih-Hung (Chief Financial Officer).

Independent Non-executive Directors:
Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei.

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