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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, 2026

SUMMARY

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the nine months ended September 30, 2026. 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, 2026 was approximately US$134.0 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, 2026 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, 2026

	For the nine months ended September 30,	
	2026	2025
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Revenue	**5,889,248**	6,017,405
Cost of sales	**(4,664,612)**	(4,645,962)
Gross profit	**1,224,636**	1,371,443
Other income	**68,232**	79,164
Selling and distribution expenses	**(574,254)**	(579,360)
Administrative expenses	**(419,308)**	(425,238)
Other expenses	**(115,275)**	(121,787)
Finance costs	**(39,511)**	(39,605)
Share of results of associates	**36,616**	42,323
Share of results of joint ventures	**9,819**	13,419
Other gains and losses	**(10,755)**	16,708
Profit before taxation	**180,200**	357,067
Income tax expense	**(30,980)**	(66,748)
Profit for the period	**149,220**	290,319
Attributable to:		
Owners of the Company	**134,004**	278,717
Non-controlling interests	**15,216**	11,602
	149,220	290,319

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended September 30, 2026

	For the nine months ended September 30,	
	2026	2025
	(Unaudited)	(Unaudited)
	US$'000	*US$'000*
Profit for the period	**149,220**	290,319
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	**(3,331)**	(3,739)
Share of other comprehensive income (expense) of associates	**3,923**	(2,875)
	592	(6,614)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on the translation of foreign operations	**51,256**	36,918
Share of other comprehensive income of associates and joint ventures	**1,166**	2,083
Reserve release upon partial disposal of associates	**–**	509
	52,422	39,510
Other comprehensive income for the period	**53,014**	32,896
Total comprehensive income for the period	**202,234**	323,215
Total comprehensive income for the period attributable to:		
Owners of the Company	**167,468**	297,341
Non-controlling interests	**34,766**	25,874
	202,234	323,215

Basis of preparation and principal accounting policies

The Group's unaudited consolidated results for the nine months ended September 30, 2026 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 HKFRS Accounting Standards, the accounting policies and methods of computation used in the Group's unaudited consolidated results for the nine months ended September 30, 2026 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2025.

In the current period, the Group has applied, for the first time, certain amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, which are mandatorily effective for the annual period beginning on January 1, 2026 for the preparation of the Group's unaudited consolidated results for the nine months ended September 30, 2026. The application of the amendments to HKFRS Accounting Standards has had no material impact on the Group's unaudited consolidated results and financial positions for the current or prior periods.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended September 30, 2026 (the "Period"), both the global macroeconomic environment and geopolitical situation remained highly complex and uncertain. Uncertainties surrounding tariff policies, coupled with inflation risks, continued to weigh on market confidence, while inventory stocking sentiment in end markets remained cautious. Meanwhile, demand for short lead-time orders increased, as brand customers adopted a more prudent approach to procurement. This resulted in increased order volatility during the Period, leading to a decline in shipment volumes in the Group's manufacturing business compared with the same period last year.

Benefiting from successful order pull-forward initiatives in the third quarter, the revenue decline for the Period narrowed compared with the first half, with both month-on-month and quarter-on-quarter trends showing improvement. However, these benefits were insufficient to offset the operating deleveraging resulting from the reduced scale of the manufacturing business. Despite the Group's proactive efforts to respond to evolving market demand and its continued implementation of cost-reduction and efficiency-enhancement measures, the short-term profitability of the manufacturing business remained under pressure from various challenges, including fluctuating capacity utilization, lower production efficiency and rising costs.

In the first half of 2026, overlapping long holiday periods in the Group's three main production bases, together with heightened order volatility at various factories, created significant challenges for production scheduling and resource allocation. Although the Group proactively coordinated customer order schedules and optimized capacity allocation in the third quarter, production leveling across its manufacturing facilities remained uneven during the Period, impacting overall production efficiency and driving up footwear manufacturing unit costs.

Additionally, the Group flexibly adjusted its short-term workforce allocation in response to its order volatility, while continuing to advance new plant construction and capacity ramp-up plans to enhance operational resilience and support its long-term development strategy. However, the average headcount within the manufacturing business during the Period still increased compared with the same period last year. Combined with rising wages across various regions and slower-than-expected progress in reducing overtime and other inefficiency-related costs, this resulted in higher labor and overhead costs.

For the retail business, the retail landscape in mainland China continued to evolve, with fluctuating in-store traffic and subdued consumer sentiment. In response, the Group's retail subsidiary, Pou Sheng International (Holdings) Limited ("Pou Sheng") maintained strong operational agility, further strengthening its cross-channel capabilities, and optimizing inventory levels and aging profiles, while maintaining disciplined discount management to enhance sales quality. At the same time, it continued to leverage its organizational restructure to realize greater operational synergies. These efforts collectively helped mitigate the impact of operating deleveraging resulting from Pou Sheng's reduced sales scale and supported a year-on-year improvement in profitability. 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$5,889.2 million for the Period under review, representing a decrease of 2.1% as compared to revenue of US$6,017.4 million in the corresponding period of last year.

For the Period under review, the revenue attributable to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) decreased by 4.2% to US$3,790.4 million as compared with the corresponding period of last year. The volume of shoes shipped during the Period decreased by 5.8% to 178.5 million pairs, while the average selling price increased by 1.7% to US$21.23 per pair as compared with the corresponding period of last year.

The Group's athletic/outdoor shoes category accounted for 83.5% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 16.5% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 53.7% of total revenue, followed by casual shoes and sports sandals, which accounted for 10.6% 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$4,071.0 million for the Period under review, representing a decrease of 3.8% as compared to the corresponding period of last year.

For the Period under review, the revenue attributable to Pou Sheng increased by 1.8% to US$1,818.2 million, as compared to US$1,785.7 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 3.9% to RMB12,402.7 million, compared to RMB12,902.8 million in the corresponding period of last year. This decline was mostly attributable to volatile foot traffic, partly offset by Pou Sheng's continuous enhancement of its sales efficiency and the establishment of fully integrated, one-stop operations.

Total Revenue by Category

	For the nine months ended September 30,				
	2026		**2025**		**change**
	US$ million	***%***	*US$ million*	*%*	*%*
Athletic/Outdoor Shoes	**3,164.6**	**53.7**	3,308.1	55.0	(4.3)
Casual Shoes & Sports Sandals	**625.8**	**10.6**	648.0	10.8	(3.4)
Soles, Components & Others	**280.6**	**4.8**	275.6	4.5	1.8
Pou Sheng*	**1,818.2**	**30.9**	1,785.7	29.7	1.8
Total Revenue	**5,889.2**	**100.0**	6,017.4	100.0	(2.1)

* *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 decreased by 10.7% to US$1,224.6 million, with the overall gross profit margin decreasing by 2.0 percentage points to 20.8%. The gross profit of the manufacturing business decreased by 21.7% to US$606.0 million, while the gross profit margin of the manufacturing business decreased by 3.4 percentage points to 14.9% as compared with the corresponding period of last year. The decrease was mainly attributed to operating deleveraging caused by the reduced scale of the manufacturing business, and lower production efficiency resulting from uneven production leveling across the Group's manufacturing facilities due to volatile order demand and unstable supply chain lead times. This, coupled with rising labor and overhead costs, as well as higher raw material prices driven by surging oil prices, further pushed up the unit costs of footwear manufacturing.

Notably, the gross profit margin of the Group's manufacturing business for the quarter recovered markedly to 16.1%, as compared with 14.3% in the first half of the year, primarily benefiting from successful order pull-forward initiatives, sequentially enhanced production efficiency resulting from continued optimization of capacity scheduling, and lower direct labor costs achieved through stringent workforce allocation and overtime control in the third quarter.

For Pou Sheng, its gross profit margin was 34.0% during the Period, an increase of 0.5 percentage points, supported by effective inventory aging optimization and stringent discount management.

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

For the Period under review, the Group's selling and distribution expenses decreased by 0.9% to US$574.3 million (2025: US$579.4 million), equivalent to approximately 9.8% (2025: 9.6%) of revenue.

Administrative expenses decreased by 1.4% to US$419.3 million (2025: US$425.2 million), equivalent to approximately 7.1% (2025: 7.1%) of revenue.

Total selling and distribution expenses and administrative expenses decreased by 1.1% to US$993.6 million, equivalent to approximately 16.9% (2025: 16.7%) of revenue.

Other income decreased by 13.9% to US$68.2 million (2025: US$79.2 million), equivalent to approximately 1.2% (2025: 1.3%) of revenue. Other expenses decreased by 5.3% to US$115.3 million (2025: US$121.8 million), equivalent to approximately 2.0% (2025: 2.0%) of revenue. Among which, other expenses during the year ended December 31, 2024 included US$12.3 million in administrative penalties related to tax disputes involving subsidiaries of the Company in Indonesia ("Tax Disputes"). In light of developments in the adjudication of the Tax Disputes, US$8.9 million and US$3.4 million of these penalties had been reversed during the year ended December 31, 2025 and the Period respectively.

As a result, the Group's net operating expenses for the Period decreased by US$6.5 million to US$1,040.7 million, equivalent to approximately 17.7% (2025: 17.4%) of revenue.

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$46.4 million, compared to a combined profit of US$55.7 million recorded in the corresponding period of last year.

Tax Expense

Income tax expense for the Period amounted to US$31.0 million, reflecting the reversal of previously recognized US$7.8 million in income tax expense related to the Tax Disputes. Excluding the reversal, income tax expense amounted to US$38.8 million on profit before taxation of US$176.8 million, resulting in an effective tax rate of 21.9%.

Profit Attributable to Owners of the Company

For the Period under review, the profit attributable to owners of the Company amounted to US$134.0 million, representing a decrease of 51.9% as compared with that of US$278.7 million recorded in the corresponding period of last year.

For the Period under review, the non-recurring loss attributable to owners of the Company amounted to US$10.9 million, including a loss due to fair value changes on financial instruments at fair value through profit or loss ("FVTPL") of US$7.8 million and an impairment loss on interest in a joint venture of US$2.9 million. The non-recurring profit recognized in the corresponding period of last year was US$16.7 million, including a one-off gain on the disposal/partial disposal of associates of US$13.8 million, and a gain of US$2.9 million due to fair value changes on financial instruments at FVTPL.

Excluding all items non-recurring in nature, the recurring profit attributable to owners of the Company for the Period under review was US$144.9 million, representing a decrease of 44.7%, as compared with US$262.0 million for the corresponding period of last year.

Outlook

Ongoing challenges in the global macroeconomy – including continued geopolitical tensions in the Middle East, Russia, and Ukraine, increasingly frequent protests in major European districts, and persistent global inflationary pressures – are further weakening consumer confidence and clouding the visibility of end-market demand and the outlook for the global footwear industry. In the face of these headwinds, the Group continues to solidify its position as a strategic supplier and strengthen its high-end footwear development capabilities, while deepening its sustainable partnerships with leading international brands to capitalize on emerging opportunities and secure a premium order mix.

Looking ahead to the fourth quarter, uncertainty remains the defining feature of the operating environment. With global sentiment fluctuating and supply-chain conditions yet to fully stabilise, order visibility remains relatively limited. The Group will make every proactive effort to coordinate order scheduling and fully pursue order pull-forward opportunities to mitigate future potential production-levelling imbalances and operational challenges arising from another overlap of long holidays in the Group's three major production regions in the first quarter of 2027.

The Group remains committed to its mid– to long-term capacity allocation strategy, particularly the ongoing diversification of its manufacturing base into Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. The Group will flexibly adjust the commencement timing and ramp-up pace of its newly built production lines in response to evolving demand from brand customers. Guided by its fast-response operating principles, the Group will focus on aligning order demand with its production scheduling and workforce allocation to enhance stable and balanced capacity utilization, reinforcing operational efficiency.

The Group will also further strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies, while leveraging its core competitive edges and superior adaptability. These efforts, coupled with strict cost and expense controls and its long-term digital transformation strategy, will continue to safeguard the profitability of the Group's manufacturing business, while maintaining a healthy cash flow and a solid financial position. It will also harness its strategy of balancing sustainable value and volume growth, capitalizing on opportunities in the "athleisure" market and proactively responding to "K-shaped economy" trends, while fully leveraging its integrated product development capabilities – which combines automation technology with R&D strength – to build a product mix with stronger niche advantages.

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

Hong Kong, November 12, 2026

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

Executive Directors:
Mr. Lu Chin Chu (Chairman), Ms. Tsai Pei Chun, Patty (Managing Director), Mr. Chou Wei-Te, Mr. Lin Cheng-Tien, Mr. Liu George Hong-Chih and Mr. Chau Chi Ming (Chief Financial Officer).

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

Website: www.yueyuen.com