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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, 2017

Summary

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the nine months ended September 30, 2017. 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, 2017 was approximately US\$395.9 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 nine months ended September 30, 2017 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, 2017

	For the nine months ended September 30,	
	2017	2016
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Revenue	6,718,014	6,293,301
Cost of sales	<u>(5,012,730)</u>	<u>(4,731,134)</u>
Gross profit	1,705,284	1,562,167
Other income	107,095	86,130
Selling and distribution expenses	(705,941)	(590,083)
Administrative expenses	(477,061)	(455,047)
Other expenses	(191,568)	(178,911)
Finance costs	(28,073)	(16,648)
Share of results of associates	36,421	43,226
Share of results of joint ventures	14,185	4,002
Other gains and losses	<u>20,346</u>	<u>19,376</u>
Profit before taxation	480,688	474,212
Income tax expense	<u>(59,127)</u>	<u>(57,925)</u>
Profit for the period	<u>421,561</u>	<u>416,287</u>
Attributable to:		
Owners of the Company	395,857	378,771
Non-controlling interests	<u>25,704</u>	<u>37,516</u>
	<u>421,561</u>	<u>416,287</u>

Consolidated Statement of Comprehensive Income

For the nine months ended September 30, 2017

	For the nine months ended September 30,	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>US\$'000</i>	<i>US\$'000</i>
Profit for the period	<u>421,561</u>	<u>416,287</u>
Other comprehensive income (expense)		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on revaluation of properties transferred from property, plant and equipment and prepaid lease payments to investment properties	959	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	41,254	(14,288)
Fair value gain on available-for-sale investments	15,723	12,363
Share of other comprehensive income of associates and joint ventures	12,276	5,238
Reserve released upon disposal of subsidiaries	(751)	–
Reserve released upon disposal of a joint venture/ an associate	<u>(89)</u>	<u>(451)</u>
Other comprehensive income for the period	<u>69,372</u>	<u>2,862</u>
Total comprehensive income for the period	<u>490,933</u>	<u>419,149</u>
Total comprehensive income attributable to:		
Owners of the Company	449,137	387,047
Non-controlling interests	<u>41,796</u>	<u>32,102</u>
	<u>490,933</u>	<u>419,149</u>

The Group's unaudited consolidated results for the nine months ended September 30, 2017 have been prepared in accordance with the accounting policies adopted by the Group as disclosed in the last annual report for the year ended December 31, 2016. The comparative figures of selling and distribution 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 a number of amendments to Hong Kong Financial Reporting Standards ("amendments to HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning on January 1, 2017. The adoption of these amendments to HKFRSs had no material effect on the results or financial positions of the Group for the current or prior accounting periods.

Management Discussion and Analysis

Results

The Group recorded revenue of US\$6,718.0 million in the nine months ended September 30, 2017, representing 6.7% growth compared to the revenue of US\$6,293.3 million recorded in same period in 2016.

Profit attributable to owners of the Company increased by 4.5% to US\$395.9 million compared to US\$378.8 million recorded in the same period in 2016.

During the period, a non-recurring profit totaling US\$20.9 million was recognized, of which included US\$8.3 million of gain due to fair value changes on derivative financial instruments as well as US\$9.9 million gain on disposal of associates. Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company amounted to US\$375.0 million, representing an increase of 4.0% compared to that in the same period in 2016.

Revenue

Total revenue for footwear manufacturing activity in the period increased by 1.5%, whereas the volume of shoes sold increased by 1.1% to 238.7 million pairs as compared with the same period last year. Both volume and average selling price recorded increase over the period.

Total Revenue by Product Category

	For the 9 months ended September 30,				
	2017		2016		% change
	<i>US\$ millions</i>	<i>%</i>	<i>US\$ millions</i>	<i>%</i>	
Athletic Shoes	3,101.9	46.2	3,011.3	47.8	3.0
Casual/Outdoor Shoes	885.2	13.2	917.3	14.6	(3.5)
Sports Sandals	57.7	0.8	66.8	1.1	(13.6)
Retail Sales – shoes, apparel & leasing	2,201.5	32.8	1,843.6	29.3	19.4
Soles, Components & Others	471.7	7.0	454.3	7.2	3.8
Total Revenue	6,718.0	100.0	6,293.3	100.0	6.7

The Group's retail business, including Pou Sheng and others, grew by 19.4% to US\$2,201.5 million in the nine months period when compared to revenue of US\$1,843.6 million for the same period last year. In RMB terms, Pou Sheng revenue for the first nine months in 2017 increased by 14.1% to RMB 13,883.3 million compared to RMB 12,164.8 million in the same period last year.

Gross Profit

During the period, the Group's gross profit increased by 9.2% to US\$1,705.3 million. Gross profit for the manufacturing business involving leading international brands was up 3.6% to US\$934.7 million, with a gross profit margin of 20.7% for the period. The improvement was mainly due to operational efficiency improvement as a result of direct labor cost savings. Pou Sheng had a gross profit improvement of 6.3% to US\$701.9 million (or in RMB terms, 10.2% to RMB 4,796.6 million) due to the higher store sales.

Selling & distribution expenses and administrative expenses

For the Group, selling and distribution expenses for the nine months were US\$705.9 million (2016: US\$590.1 million), equivalent to approximately 10.5% (2016: 9.4%) of revenue. The increase in selling and distribution expenses was mainly attributable to rising staff costs in the retail business. In RMB term, Pou Sheng's selling and distribution expenses increased 19.5% when compared to the same period last year.

Administrative expenses for the period were US\$477.1 million (2016: US\$455.0 million), equivalent to approximately 7.1% (2016: 7.2%) of revenue. The increase in administrative expenses was attributable mainly to salary increase.

Fair value changes on derivative financial instruments

For the nine months ended September 30, 2017, the Group recorded a gain of US\$8.3 million due to fair value changes on derivative financial instruments, compared to a gain of US\$15.8 million in the same period in 2016.

Share of results from Associates and Joint Ventures (“Share of A&JV”)

During the first nine month period, the share of A&JV posted a combined profit of US\$50.6 million, compared with a combined profit of US\$47.2 million in the same period of last year.

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

Hong Kong, November 13, 2017

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. Tsai Ming-Lun, Ming, Mr. Hu Chia-Ho, Mr. Liu George Hong-Chih and Mr. Hu Dien Chien.

Independent Non-executive Directors:

Mr. Leung Yee Sik, Mr. Huang Ming Fu, Mr. Chu Li-Sheng, Ms. Yen Mun-Gie (also known as Teresa Yen) and Mr. Hsieh Yung Hsiang (also known as Alfred Hsieh).

Website: www.yueyuen.com