



PRESS RELEASE

Yue Yuen Announces 2017 First Half Results

- Revenue up 3.9% to US\$4.45 billion, compared to US\$4.28 billion in the same period last year
- Gross profit up 6.79% to US\$1.13 billion, compared to US\$1.06 billion for last year
- Recurring profit attributable to owners of the Company increased by 3.1% to US\$240.9 million, compared to US\$233.7 million last year
- Non-recurring profit for the period amounted to US\$17.6 million
- Profit Attributable to Owners of the Company amounted to US\$258.5 million, up 4.0% when compared to US\$248.7 million for last year
- Basic earnings per shares (EPS) grew 4.0% to US\$15.71 cents
- An interim dividend of HK\$0.40 per share and a special dividend of HK\$3.50 per share were declared

(Hong Kong, August 11, 2017) – **Yue Yuen Industrial (Holdings) Limited** (together with its subsidiaries “the Group”, stock code: 551) today announced its unaudited consolidated results for the first half of Fiscal Year 2017 from January 1, 2017 to June 30, 2017.

For the six months ended June 30, 2017, the Group recorded revenue of US\$4,448.2 million, representing a growth of 3.9%, compared to the same period in 2016. Profit attributable to owners of the Group grew by 4.0% to US\$258.5 million, as compared to US\$248.7 million recorded for the six months in 2016. Basic earnings per share for the first half of 2017 increased by 4.0% to US\$15.71 cents as compared with US\$15.11 cents for the same period in 2016.

The Board is pleased to declare an interim dividend of HK\$0.40 per share for this period (2016: HK\$0.40 per share) and a one-time special dividend of HK\$3.50 per share. Post special dividend payout, the Company’s balance sheet remains healthy and our credit metrics and liquidity continue to be solid to help capture the upside potential of the Company’s future strategic plans.

Business Review

Revenue

The revenue for the footwear manufacturing business recorded a mild decline of 0.7% to US\$2,990.0 million during the first half of 2017 when compared to the same period in 2016, and the volume of footwear sold decreased by 1.6% as compared with the same period in 2016.

Total Revenue by Product Category

	For the six months ended June 30		2016		% change
	2017		2016		
	US\$ millions	%	US\$ millions	%	
Athletic Shoes	2,071.5	46.6	2,064.8	48.2	0.3
Casual/Outdoor Shoes	569.0	12.8	610.5	14.3	(6.8)
Sports Sandals	44.7	1.0	54.4	1.3	(17.8)
Retail Sales – shoes, apparel & leasing	1,458.1	32.8	1,267.8	29.6	15.0
Soles, Components & Others	304.9	6.8	283.3	6.6	7.6
Total Revenue	4,448.2	100.0	4,280.8	100.0	3.9



Yue Yuen Industrial (Holdings) Limited

During the six months under review, the Group's manufacturing business produced a total of 163.0 million pairs of shoes, decreased 1.6% when compared to 165.7 million pairs produced during the same period in 2016. The average selling prices for each pair of shoes was US\$16.47, compared to US\$16.48 during the six months period ended June 30, 2016.

The Group's retail business, including Pou Sheng and others, grew by 15.0% to US\$1,458.1 million in the six months period when compared to revenue of US\$1,267.8 million for the same period last year. Pou Sheng has adopted RMB as its reporting currency since the Interim 2016 in order to reduce the impact of foreign exchanges rate movements on its reported results and to provide shareholders with an accurate reflection of the Group's main retail business underlying performance. In RMB terms, Pou Sheng revenue for the six months ended June 30, 2017 increased by 14.5% to RMB9,515.1 million, compared to RMB8,312.9 million for the same period last year.

Gross Profit

The gross profit for the manufacturing business improved from US\$607.9 million to US\$622.9 million with a gross profit margin of 20.8%. The improvement was attributable mainly to better operational efficiency, despite the impact of rising wages and a mild uptick in material costs as a result of commodity price trends. The Group continued to work with international brand customers to further enhance productivity across production sites, as well as supply chain efficiency in key regions.

Selling & distribution expenses and administrative expenses

Selling and distribution expenses for the first half of 2017 were US\$467.5 million (2016: US\$399.3 million), equivalent to approximately 10.5% (2016: 9.3%) of revenue. The increase in selling and distribution expenses was attributable mainly to the expansion and optimization of directly operated stores and a rise in sales staff remuneration at Pou Sheng. Administrative expenses for the period were US\$304.3 million (2016: US\$301.5 million), equivalent to approximately 6.8% (2016: 7.0%) of revenue, remain stable. Since cost pressures continue to be significant for both the manufacturing and retail businesses, the management of both units will continuously look for ways to improve efficiency and productivity.

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

During the six months period, the share of results from associates and joint ventures recorded a combined profit of US\$26.7 million, compared to a combined profit of US\$21.5 million for the same period of last year. The increase was mainly attributable to impairment loss recognized on certain assets of the joint ventures during the period last year.

Mr. Lu Chin Chu, Chairman, commented, *"We are pleased with the Group's performance, despite headwinds and challenges from evolving macroeconomic conditions. We are committed to continuously enhancing our manufacturing processes and retail operations to capitalize on the global sports trend and achieve good returns for our shareholders."*

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Yue Yuen Industrial (Holdings) Limited

Consolidated Income Statement

For the six months ended June 30, 2017

	2017 (unaudited) 6 months US\$'000	2016 (unaudited) 6 months US\$'000
Revenue	4,448,172	4,280,785
Cost of sales	(3,316,793)	(3,221,375)
Gross profit	1,131,379	1,059,410
<i>(% of revenue)</i>	<i>25.43%</i>	<i>24.75%</i>
Other income	58,434	50,194
Selling and distribution expenses	(467,520)	(399,333)
Administrative expenses	(304,331)	(301,450)
Other expenses	(128,128)	(114,802)
Finance costs	(17,908)	(10,842)
Share of results of associates	21,482	25,210
Share of results of joint ventures	5,233	(3,729)
Other Gains and Losses	17,349	15,899
Profit before taxation	315,990	320,557
Income tax expense	(36,440)	(45,248)
Profit for the period	279,550	275,309
<i>(% of revenue)</i>	<i>6.28%</i>	<i>6.43%</i>
Attributable to:		
Owners of the Company	258,525	248,711
<i>(% of revenue)</i>	<i>5.81%</i>	<i>5.81%</i>
Non-controlling interests	21,025	26,598
	279,550	275,309
Earnings per share		
- Basic	US15.71 cents	US15.11 cents
- Diluted	US15.68 cents	US15.08 cents