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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 THREE MONTHS ENDED MARCH 31, 2025**

Summary

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the three months ended March 31, 2025. 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, 2025 was approximately US\$75.8 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 three months ended March 31, 2025 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, 2025

	For the three months ended March 31,	
	2025	2024
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Revenue	2,029,464	2,003,622
Cost of sales	<u>(1,565,126)</u>	<u>(1,500,477)</u>
Gross profit	464,338	503,145
Other income	31,215	37,051
Selling and distribution expenses	(206,730)	(216,132)
Administrative expenses	(141,302)	(138,852)
Other expenses	(38,732)	(39,585)
Finance costs	(13,291)	(17,093)
Share of results of associates	11,030	10,373
Share of results of joint ventures	4,761	5,808
Other gains and losses	<u>(507)</u>	<u>376</u>
Profit before taxation	110,782	145,091
Income tax expense	<u>(27,303)</u>	<u>(34,352)</u>
Profit for the period	<u><u>83,479</u></u>	<u><u>110,739</u></u>
Attributable to:		
Owners of the Company	75,758	99,965
Non-controlling interests	<u>7,721</u>	<u>10,774</u>
	<u><u>83,479</u></u>	<u><u>110,739</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2025

	For the three months ended	
	March 31,	
	2025	2024
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit for the period	83,479	110,739
Other comprehensive (expense) income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity instruments at fair value through other comprehensive income	(2,142)	(1,056)
Share of other comprehensive expense of associates	(1,260)	(406)
	(3,402)	(1,462)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	11,393	(22,467)
Share of other comprehensive income (expense) of associates and joint ventures	266	(6,963)
Reserve released upon partial disposal of associates	168	705
	11,827	(28,725)
Other comprehensive income (expense) for the period	8,425	(30,187)
Total comprehensive income for the period	91,904	80,552
Total comprehensive income for the period attributable to:		
Owners of the Company	79,725	78,078
Non-controlling interests	12,179	2,474
	91,904	80,552

Basis of preparation and principal accounting policies

The Group's unaudited consolidated results for the three months ended March 31, 2025 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.

The accounting policies applied and methods of computation used in the Group's unaudited consolidated results for the three months ended March 31, 2025 are the same as those presented in the Group's annual consolidated financial statements for the year ended December 31, 2024.

In the current period, the Group has applied, for the first time, amendments to Hong Kong Financial Reporting Standards ("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, 2025 for the preparation of the Group's unaudited consolidated results for the three months ended March 31, 2025. 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 first quarter of 2025, demand for footwear products in the Group's manufacturing business sustained the same favorable momentum as the previous year. Footwear shipment volumes continued to grow steadily, with production lines for multiple brands operating at full capacity. The growth of the Group's manufacturing business was also supported by a rebound in average selling prices after five consecutive quarters of decline.

However, order fulfilment and capacity utilization rates at certain factories were significantly higher than average, resulting in uneven production leveling. This, coupled with the pace of ramping up new production lines and a new upper processing factory which was below expectations, resulted in lower production efficiency that fell short of set targets. The fall in production efficiency hindered the Group's efforts to reduce reliance on overtime and other associated costs, as initially planned. These challenges unfolded within a volatile operating environment shaped by a complex and dynamic global economic landscape. In addition, the number of employees within the Group's manufacturing business increased by 7.5% year-on-year, which combined with rising wages increasing by a high single-digit percentage across multiple regions, drove up total labor costs. Production efficiency levels that fell short of expectations in the meanwhile undermined the alleviation of labor cost pressures. Overall, the aforementioned factors all negatively impacted the profitability of the Group's manufacturing business in the short term.

Meanwhile, the online sales momentum at the Group's retail subsidiary, Pou Sheng International (Holdings) Limited ("Pou Sheng") continued to outpace offline retail, as it further enhanced its omni-channel capabilities amid mainland China's highly competitive e-commerce landscape, while maintaining a high degree of agility and flexibility in its decision-making. At the same time, Pou Sheng continuously improved sales conversion rates within its retail stores, while dynamically managing its store portfolio and optimizing store-level productivity and efficiency, with foot traffic remaining volatile amid an increasingly dynamic consumption landscape and an intensifying promotional environment. For more financial details of the Group's retail business, please refer to the results announcement of Pou Sheng.

Revenue Analysis

In the three months ended March 31, 2025 (the "Period"), the Group recorded revenue of US\$2,029.5 million, representing an increase of 1.3% compared to revenue of US\$2,003.6 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) increased by 7.8% to US\$1,239.5 million, compared with the corresponding period of last year. The volume of shoes shipped during the Period increased by 5.3% to 61.9 million pairs. The average selling price increased by 2.5% to US\$20.04 per pair as compared with the corresponding period of last year, which was attributed to a high-quality order mix.

The Group's athletic/outdoor shoes category accounted for 83.4% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 16.6% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 50.9% of total revenue, followed by casual shoes and sports sandals, which accounted for 10.1% 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\$1,328.3 million for the Period under review, representing an increase of 5.9% as compared to the corresponding period of last year.

For the Period under review, the revenue attributable to Pou Sheng decreased by 6.5% to US\$701.2 million, compared to US\$749.7 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased by 5.4% to RMB5,107.1 million, compared to RMB5,400.3 million in the corresponding period of last year, which was mostly attributable to volatile foot 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 three months ended March 31,				
	2025		2024		change
	<i>US\$ million</i>	%	<i>US\$ million</i>	%	%
Athletic/Outdoor Shoes	1,033.6	50.9	996.2	49.7	3.8
Casual Shoes & Sports Sandals	205.9	10.1	153.3	7.7	34.3
Soles, Components & Others	88.8	4.4	104.4	5.2	(14.9)
Pou Sheng*	701.2	34.6	749.7	37.4	(6.5)
Total Revenue	2,029.5	100.0	2,003.6	100.0	1.3

* 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 7.7% to US\$464.3 million, with the overall gross profit margin decreasing by 2.2 percentage points to 22.9%. The gross profit of the manufacturing business decreased by 7.6% to US\$234.7 million, while the gross profit margin of the manufacturing business decreased by 2.6 percentage points to 17.7% as compared with the corresponding period of last year, mainly due to uneven production leveling across various manufacturing plants, lower production efficiency, and an expanding labor force and rising wages across various regions that drove up total labor costs.

For Pou Sheng, despite its efforts to optimize inventory mix and sales structure, its gross profit margin in the Period under review decreased by 0.5 percentage points to 32.7%, due to aggressive promotions across the retail industry.

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

For the Period under review, the Group's selling and distribution expenses decreased by 4.3% to US\$206.7 million (2024: US\$216.1 million), equivalent to approximately 10.2% (2024: 10.8%) of revenue.

Administrative expenses increased by 1.7% to US\$141.3 million (2024: US\$138.9 million), equivalent to approximately 7.0% (2024: 6.9%) of revenue.

Total selling and distribution expenses and administrative expenses decreased by 2.0% to US\$348.0 million, equivalent to approximately 17.1% (2024: 17.7%) of revenue.

Other income decreased by 15.9% to US\$31.2 million (2024: US\$37.1 million), equivalent to approximately 1.5% (2024: 1.9%) of revenue. Other expenses decreased by 2.3% to US\$38.7 million (2024: US\$39.6 million), equivalent to approximately 1.9% (2024: 2.0%) of revenue. As a result, the Group's net operating expenses for the Period decreased by US\$2.0 million.

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\$15.8 million, compared to a combined profit of US\$16.2 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\$75.8 million, representing a decrease of 24.2% as compared with that of US\$100.0 million recorded in the corresponding period of last year.

For the Period under review, the Group recognized a non-recurring loss attributable to owners of the Company of US\$0.5 million, as compared to a non-recurring profit of US\$0.4 million recognized in the corresponding period of last year. This included a one-off gain on the partial disposal of associates of US\$2.4 million, which was offset by a loss of US\$2.9 million due to fair value changes on financial instruments at fair value through profit or loss. 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\$76.3 million, representing a decrease of 23.4% as compared with US\$99.6 million for the corresponding period of last year.

Outlook

Despite the strengthening global economic headwinds, the Group remains optimistic about the long-term prospects of the sports industry and confident in its role as a strategic supplier, sustaining demand from leading international brands. However, the near-term business environment will remain unsettled, with the risk of volatile sentiment arising from global reciprocal tariff-related challenges and inflation, weakened consumer confidence due to macroeconomic uncertainties, and recurring regional conflicts further disrupting the stability of shipping logistics. These headwinds are currently affecting order visibility for the second half of 2025, particularly in the third quarter, which is traditionally a low season.

The Group will proactively monitor the economic developments and remains committed to its mid to long-term capacity allocation strategy. This includes diversifying its manufacturing capacity into regions such as Indonesia and India, where labor supply and infrastructure are supportive of sustainable growth. To navigate short-term uncertainties and strike an optimal balance between growth and profitability, the Group will prioritize responsiveness as its core guiding principle, implementing a comprehensive plan that ensures the disciplined and steady ramp-up of capacity expansion, thereby better balancing demand with its order pipeline and labor supply to safeguard its production efficiency.

Yue Yuen will further also strengthen its operational resilience through its highly flexible and agile manufacturing excellence strategies, while leveraging its core competitive edges and superior adaptability. Coupled with strict cost and expense controls and its long-term digital transformation strategy, it will continue to safeguard its profitability 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 the ‘athleisure’ trend and its integrated product development capability – which combines automation technology with R&D strength – to seek quality orders with a solid product mix.

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

Hong Kong, May 12, 2025

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. 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.

Website: www.yueyuen.com