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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, 2026**

Summary

The Directors of Yue Yuen Industrial (Holdings) Limited announce the unaudited consolidated results of the Group for the three months ended March 31, 2026. This announcement is made as part of the Company's current practice to publish its financial results quarterly and pursuant to Rule 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, 2026 was approximately US\$35.2 million.

The directors (the "Directors") of Yue Yuen Industrial (Holdings) Limited ("the Company") make 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, 2026 in line with its current practice to publish the Group's financial results quarterly and pursuant to Rule 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, 2026

	For the three months ended March 31,	
	2026	2025
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Revenue	1,985,359	2,029,464
Cost of sales	<u>(1,553,585)</u>	<u>(1,565,126)</u>
Gross profit	431,774	464,338
Other income	21,494	31,215
Selling and distribution expenses	(203,323)	(206,730)
Administrative expenses	(137,143)	(141,302)
Other expenses	(44,452)	(38,732)
Finance costs	(12,430)	(13,291)
Share of results of associates	8,448	11,030
Share of results of joint ventures	2,886	4,761
Other gains and losses	<u>(2,531)</u>	<u>(507)</u>
Profit before taxation	64,723	110,782
Income tax expense	<u>(18,561)</u>	<u>(27,303)</u>
Profit for the period	<u>46,162</u>	<u>83,479</u>
Attributable to:		
Owners of the Company	35,179	75,758
Non-controlling interests	<u>10,983</u>	<u>7,721</u>
	<u>46,162</u>	<u>83,479</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended March 31, 2026

	For the three months ended March 31,	
	2026	2025
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Profit for the period	<u>46,162</u>	<u>83,479</u>
Other comprehensive income (expense)		
<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	(894)	(2,142)
Share of other comprehensive income (expense) of associates	<u>1,788</u>	<u>(1,260)</u>
	<u>894</u>	<u>(3,402)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference arising on the translation of foreign operations	16,084	11,393
Share of other comprehensive (expense) income of associates and joint ventures	(2,315)	266
Reserve released upon partial disposal of associates	<u>—</u>	<u>168</u>
	<u>13,769</u>	<u>11,827</u>
Other comprehensive income for the period	<u>14,663</u>	<u>8,425</u>
Total comprehensive income for the period	<u><u>60,825</u></u>	<u><u>91,904</u></u>
Total comprehensive income for the period attributable to:		
Owners of the Company	43,591	79,725
Non-controlling interests	<u>17,234</u>	<u>12,179</u>
	<u><u>60,825</u></u>	<u><u>91,904</u></u>

Basis of preparation and principal accounting policies

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

In the first quarter of 2026, the overall operational environment grew more uncertain amid an increasingly complex and dynamic global economic landscape. Escalating geopolitical tensions further heightened inflationary risks and challenged the stability of global supply chains, as well as shipping and logistics systems. The uncertainties around tariff policies and macroeconomic trajectory continue to weaken consumer momentum in end markets, leading brand customers to adopt a more cautious approach to ordering. This, in turn, has constrained earlier order pull-ins and complicated order scheduling, resulting in short-term volatility in order demand and a year-on-year decline in footwear shipping volumes. However, despite the negative impact from tariff sharing, adjustments in product mix supported a slight increase in the average selling price, partially mitigating the impact of lower shipment volumes on shoe revenue.

Production scheduling was further adversely affected by seasonal misalignments arising from the heightened order volatility and overlapping long holidays, including the Lunar New Year holidays in mainland China and Vietnam, and the earlier occurrence of Ramadan and Eid al-Fitr holidays in Indonesia in 2026 compared with last year, resulting in severe production bottlenecks. Despite proactively coordinating order pacing to mitigate the related impact, production leveling across the Group's manufacturing facilities remained highly uneven, placing pressure on production efficiency in the first quarter and resulting in higher unit costs. Furthermore, in line with the Group's long-term capacity allocation strategy and the ramp-up of newly established facility in Central Java, Indonesia and Vietnam, manufacturing headcount increased by 2.2% year-on-year to 275,300 as at March 31, 2026. At the same time, high-single-digit increases in minimum wages across multiple regions in the first quarter further drove up labor costs. These factors added incremental pressure to the short-term profitability of the Group's manufacturing business

Meanwhile, the Group's retail subsidiary, Pou Sheng International (Holdings) Limited ("Pou Sheng") maintained solid revenue scale by maintaining a high degree of agility and flexibility in its decision-making, despite the dynamic retail landscape in mainland China. It continued to strengthen its cross-channel capabilities, strictly control discounts to improve sales quality and leverage its restructuring strategy to enhance synergies. 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, 2026 (the "Period"), the Group recorded revenue of US\$1,985.4 million, representing a decrease of 2.2% compared to revenue of US\$2,029.5 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 5.8% to US\$1,167.9 million, compared with the corresponding period of last year. The volume of shoes shipped during the Period decreased by 8.1% to 56.9 million pairs, while the average selling price increased by 2.4% to US\$20.52 per pair as compared with the corresponding period of last year.

The Group's athletic/outdoor shoes category accounted for 83.2% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 16.8% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 48.9% of total revenue, followed by casual shoes and sports sandals, which accounted for 9.9% 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\$1,255.4 million for the Period under review, representing a decrease of 5.5% as compared to the corresponding period of last year.

For the Period under review, the revenue attributable to Pou Sheng increased by 4.1% to US\$730.0 million, compared to US\$701.2 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue decreased slightly by 1.1% to RMB5,051.5 million, compared to RMB5,107.1 million in the corresponding period of last year. The narrowing of the revenue decline was mainly attributed to Pou Sheng's continuous enhancement of its operational efficiency, strategic dynamic inventory management, and the establishment of fully integrated, one-stop operations, with direct retail channels performing resiliently.

Total Revenue by Category

	For the three months ended March 31,				change
	2026		2025		
	<i>US\$ million</i>	<i>%</i>	<i>US\$ million</i>	<i>%</i>	<i>%</i>
Athletic/Outdoor Shoes	971.7	48.9	1,033.6	50.9	(6.0)
Casual Shoes & Sports Sandals	196.2	9.9	205.9	10.1	(4.7)
Soles, Components & Others	87.5	4.4	88.8	4.4	(1.5)
Pou Sheng*	730.0	36.8	701.2	34.6	4.1
Total Revenue	1,985.4	100.0	2,029.5	100.0	(2.2)

* 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 7.0% to US\$431.8 million, with the overall gross profit margin decreasing by 1.2 percentage points to 21.7%. The gross profit of the manufacturing business decreased by 20.7% to US\$186.3 million, while the gross profit margin of the manufacturing business decreased by 2.9 percentage points to 14.8% as compared with the corresponding period of last year. This decrease was mainly attributed to volatile short-term order demand, as well as intensified production scheduling challenges caused by seasonal misalignments arising from the overlap of the Lunar New Year and Ramadan in the first quarter of 2026. These factors resulted in short-term production inefficiency within the manufacturing business which, coupled with higher labor costs, drove up manufacturing unit costs.

For Pou Sheng, its gross profit margin was 33.6% during the Period, an increase of 0.9 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 1.6% to US\$203.3 million (2025: US\$206.7 million), equivalent to approximately 10.2% (2025: 10.2%) of revenue.

Administrative expenses decreased by 2.9% to US\$137.1 million (2025: US\$141.3 million), equivalent to approximately 6.9% (2025: 7.0%) of revenue.

Total selling and distribution expenses and administrative expenses decreased by 2.2% to US\$340.4 million (2025: US\$348.0 million), equivalent to approximately 17.1% (2025: 17.1%) of revenue.

Other income decreased by 31.1% to US\$21.5 million (2025: US\$31.2 million), equivalent to approximately 1.1% (2025: 1.5%) of revenue. Other expenses increased by 15.0% to US\$44.5 million (2025: US\$38.7 million), equivalent to approximately 2.2% (2025: 1.9%) of revenue.

As a result, the Group's net operating expenses for the Period increased by US\$7.9 million, equivalent to approximately 18.3% (2025: 17.5%) 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\$11.3 million, compared to a combined profit of US\$15.8 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\$35.2 million, representing a decrease of 53.6% as compared with that of US\$75.8 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\$2.6 million, which was attributed to a loss due to fair value changes on financial instruments at fair value through profit or loss. A non-recurring loss of US\$0.5 million was recognized in the corresponding period of last year, comprising a loss of US\$2.9 million resulting from fair value changes on financial instruments at fair value through profit or loss, which was largely offset by a one-off gain of US\$2.4 million arising from the partial disposal of associates. 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\$37.7 million, representing a decrease of 50.6% as compared with US\$76.3 million for the corresponding period of last year.

Outlook

Amid mounting global economic headwinds, the Group will continue to solidify its role as a strategic supplier and strengthen its multi-location, high-end footwear development capabilities, while deepening its long-standing partnerships with leading international brands to capitalize on emerging opportunities and secure a higher-quality order mix. However, reciprocal tariff-related challenges, inflation pressures and uncertainties around the macroeconomic trajectory may continue to weaken consumer momentum. Multiple factors may lead to volatile sentiment, with near-term order demand expected to remain fluctuating.

The Group will continue to closely monitor developments in the global economic and political environment, as well as the potential impact of recent regional conflicts on delivery timelines and the stability of raw material supplies. It will also prudently assess the risks associated with fluctuations in raw material prices and potential supply disruptions, and leverage such developments as an opportunity to further diversify its sourcing and strengthen its mid- to long-term local procurement strategy. Meanwhile, the Group will proactively address the related challenges by enhancing operational flexibility. By commencing earlier raw material procurement negotiations and inventory planning to ensure supply stability, and strengthening cost controls measures, the Group aims to mitigate the potential adverse impact of such uncertainties on its short-term profitability.

The Group remains committed to its mid- to long-term capacity allocation strategy and is continuing to advance the ramp-up of its manufacturing facility in Central Java, Indonesia, in an orderly manner, while progressing the construction-related work for its new factory in India. In response to evolving demand from brand customers, the Group will flexibly adjust its ramp-up pace and production commencement plans. At the same time, guided by its fast-response operating principles, the Group seeks to balance demand, its order pipeline and labor supply to reinforce 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 the 'athleisure' trend and its integrated product development capability – 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, May 13, 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