



寶成國際集團

Pou Chen Group

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Pou Chen Group -- The largest footwear manufacture Group in the world

- Founded in 1969; listed on the TWSE in 1990
- Paid in Capital: US\$986 mn (NT\$29.44 bn)
- Market Cap.: US\$3,270 mn (@NT\$33.80 as of 2014/09/30)
- Turnover: 9M2014 Consolidated Sales US\$5,963 mn (NT\$179.65 bn)
- Product Mix: Footwear 75.3%, Retail 24.4%, Others 0.3% (as of 9M2014 Consolidated Sales)
- Footwear Business
 - Volume: Made 228.8 (229.9) million pairs in 9M2014(9M2013); made 313.4 million pairs in FY2013
 - Market Share: 20% of the combined wholesales value of the global branded athletic and causal footwear market (including JVs)
 - Customers: Approximately 60 leading brands such as Nike, adidas, ASICS, Reebok and Salomon
- Retail Business
 - Target Market: The Greater China
 - POS: 6,544 POS (3,957 self-run and 2,587 sub-distributor) (as of 2014/09/30)

Business Overview



Business Segment Mix

Pou Chen: (Consolidated)	FY2011	FY2012 (15M) ⁽¹⁾	FY2013 ⁽¹⁾	9M2013	9M2014
	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)
Footwear	163,009 78.2%	210,951 76.4%	174,264 76.9%	127,767 76.7%	135,204 75.3%
Retail	42,353 20.3%	60,705 22.0%	51,249 22.6%	37,866 22.7%	43,858 24.4%
Others	3,077 1.5%	4,452 1.6%	1,152 0.5%	939 0.6%	590 0.3%
Total	208,439 100%	276,108 100%	226,665 100%	166,572 100%	179,652 100%

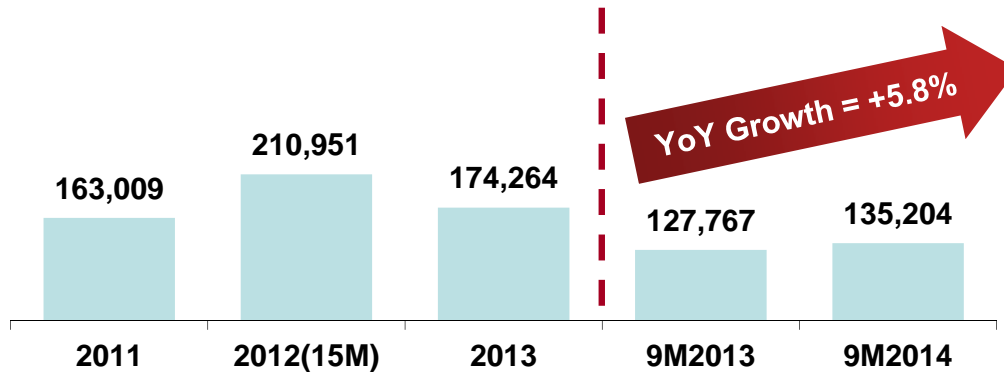
- ⁽¹⁾ Yue Yuen and Pou Sheng, consolidated entities in PCC's consolidated financial statements, had changed their financial year end date from 9/30 to 12/31 in 2012. Therefore, their FY2012 annual information covering 15 months from 2011/10/01~2012/12/31. Due to the aforesaid change and TWSE regulation, PCC's FY2012 consolidated financial statements included Yue Yuen and Pou Sheng's 2011/10/01~2012/12/31 information; PCC's FY2013 consolidated financial statements included Yue Yuen and Pou Sheng's 2013/01/01~2013/12/31 information.
- ⁽²⁾ Pou Chen originally diversified into electronics business by investing in GBM in 1999. On March 24, 2010, PCC and its three subsidiaries disposed their 40% stake in GBM, which is engaged in manufacturing and selling PCB/PCBAs. After the transaction, PCC lost the controlling power over GBM, and GBM is no longer included as a consolidated entity in PCC's consolidated financial statements.
- ⁽³⁾ On January 1, 2011, PCC adopted SFAS No.41 "Disclosure of operating segment information", and had identified "Footwear business", "Retail business" and "Others" as its three reportable segments.

Business Overview



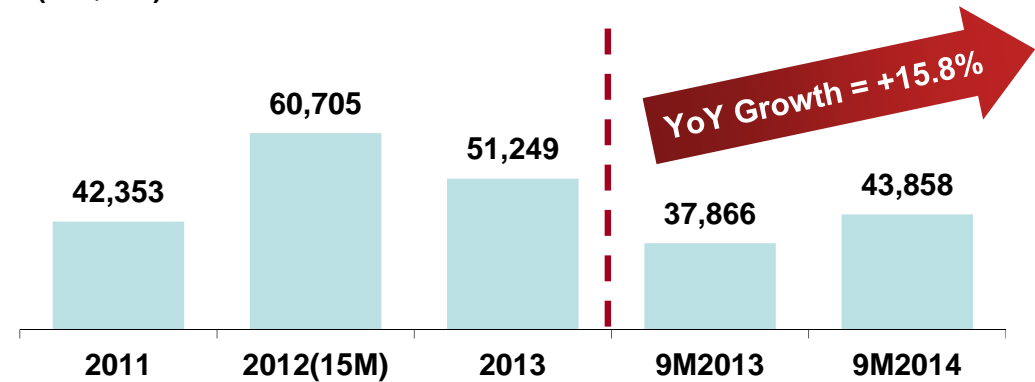
Turnover – Footwear Business

(NT\$m)



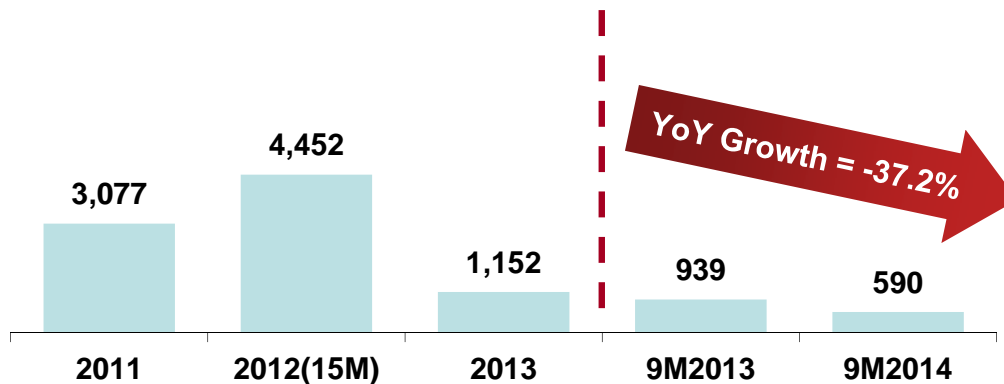
Turnover - Retail Business

(NT\$m)



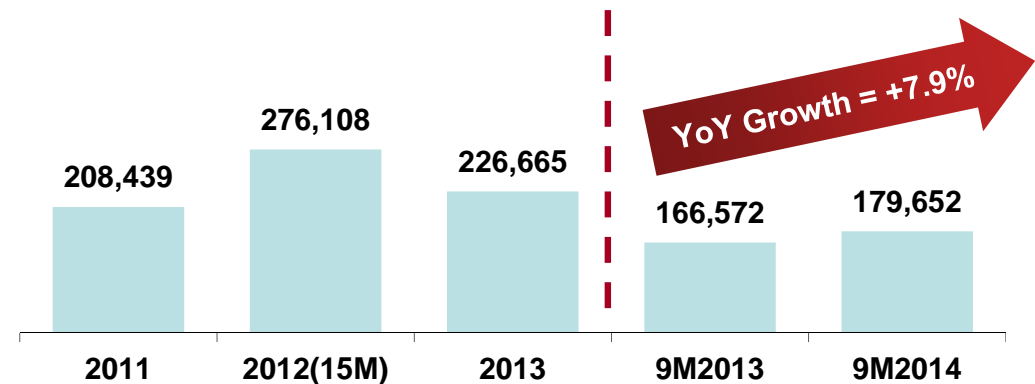
Turnover – Others

(NT\$m)



Turnover - Total

(NT\$m)



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Footwear Business – Yue Yuen



Product Mix

Yue Yuen:	FY2011	FY2012 (15M)⁽¹⁾	FY2013	9M2013	9M2014
	(US\$m; %)	(US\$m; %)	(US\$m; %)	(US\$m; %)	(US\$m; %)
Athletic Shoes	3,680 52.2%	4,745 51.6%	3,813 50.3%	2,809 50.5%	2,849 48.0%
Casual/Outdoor Shoes	1,240 17.6%	1,562 17.0%	1,357 17.9%	982 17.7%	1,087 18.3%
Sports Sandals	81 1.2%	105 1.1%	86 1.1%	58 1.0%	61 1.0%
Retail & Brand Licensee	1,441 20.5%	2,053 22.3%	1,727 22.8%	1,273 22.9%	1,456 24.5%
Soles, Components, Others	603 8.5%	728 8.0%	599 7.9%	438 7.9%	483 8.2%
Total	7,045 100%	9,193 100%	7,582 100%	5,560 100%	5,936 100%

Financial Highlights

(US\$m)	FY2011	FY2012 (15M)⁽¹⁾	FY2013	9M2013	9M2014
Turnover	7,045	9,193	7,582	5,560	5,936
Gross Profit	1,556	2,099	1,647	1,182	1,304
Gross Margin	22.1%	22.8%	21.7%	21.3%	22.0%
Net Income ⁽²⁾	450	624	435	331	209
Net Income Margin	6.4%	6.8%	5.7%	6.0%	3.5%

⁽¹⁾ Because of the change of financial year end date, Yue Yuen's 2012 annual information covering 15 months from 2011/10/01~2012/12/31.

⁽²⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

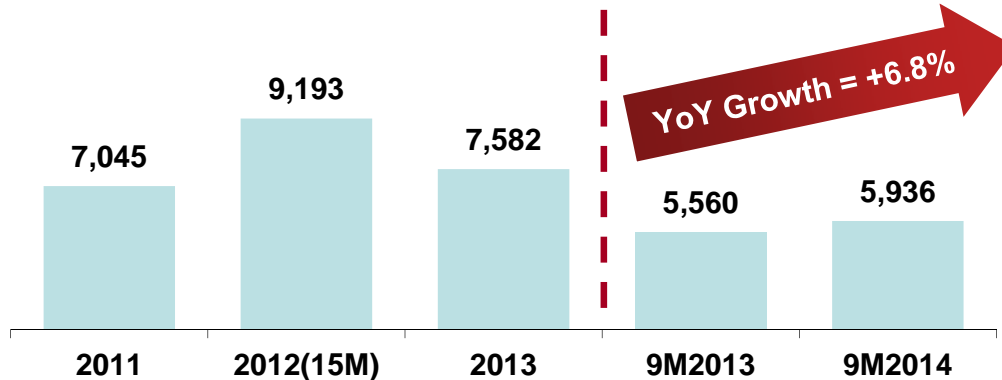
Financial Highlights - Yue Yuen



Yue Yuen's 10M2014 unaudited sales ended 2014/10/31 increased Y-o-Y by 6.0% to US\$6.6 bn.

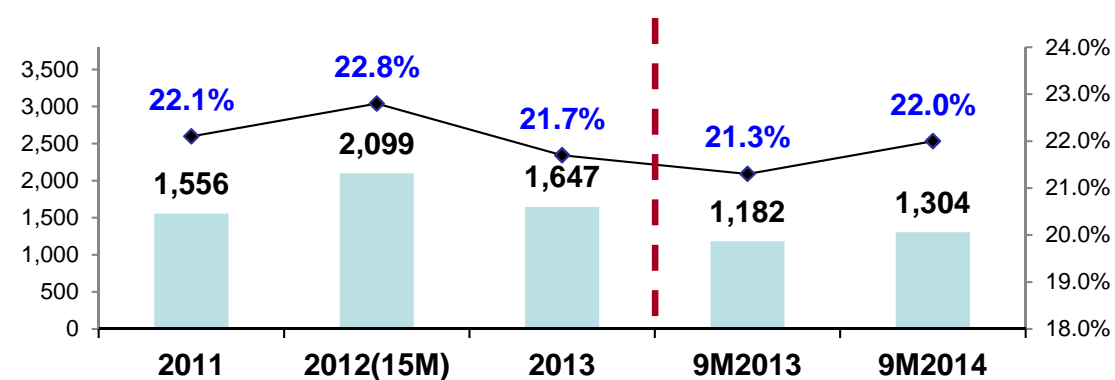
Turnover

(US\$mn)



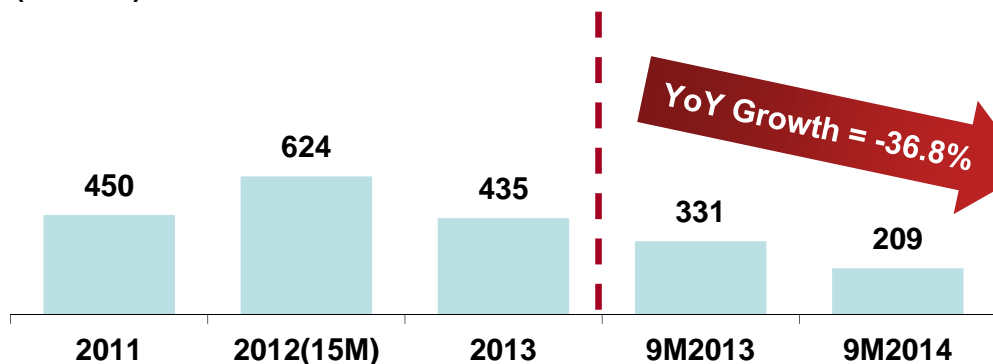
Gross Margin

(US\$mn)

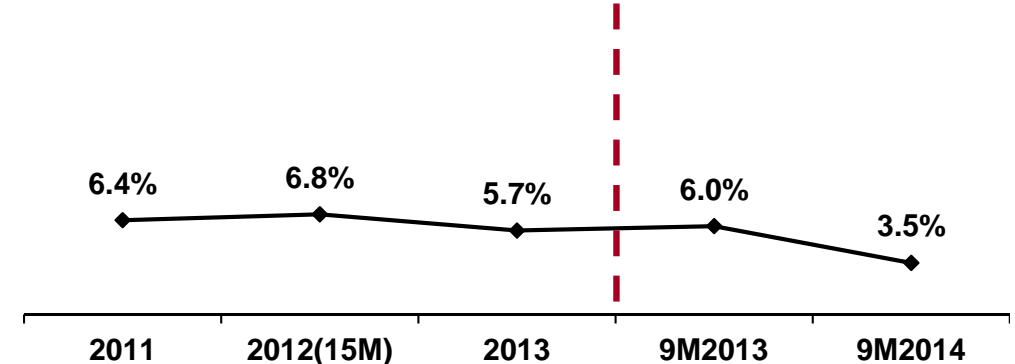


Net Income⁽²⁾

(US\$mn)



Net Margin



⁽¹⁾ Because of the change of financial year end date, Yue Yuen's 2012 annual information covering 15 months from 2011/10/01~2012/12/31.

⁽²⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

Retail Business – Pou Sheng



Product Mix

Pou Sheng:	FY2011		FY2012 (15M) ⁽¹⁾		FY2013		9M2013		9M2014	
	(US\$m; %)		(US\$m; %)		(US\$m; %)		(US\$m; %)		(US\$m; %)	
Retail	1,381	86.8%	1,979	90.7%	1,703	95.8%	1,251	95.5%	1,447	99.1%
Brand Licensee	60	3.8%	74	3.4%	24	1.3%	22	1.7%	9	0.6%
Manufacturing	149	9.4%	129	5.9%	50	2.9%	37	2.8%	4	0.3%
Total	1,590	100%	2,182	100%	1,777	100%	1,310	100%	1,460	100%

Financial Highlights

(US\$m)	FY2011	FY2012 (15M) ⁽¹⁾	FY2013	9M2013	9M2014
Turnover	1,590	2,182	1,777	1,310	1,460
Gross Profit	482	644	514	372	428
Gross Margin	30.3%	29.5%	28.9%	28.4%	29.3%
Net Income ⁽²⁾	54	-69	-39	-24	4
Net Income Margin	3.4%	-3.2%	-2.2%	-1.9%	0.3%

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⁽²⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

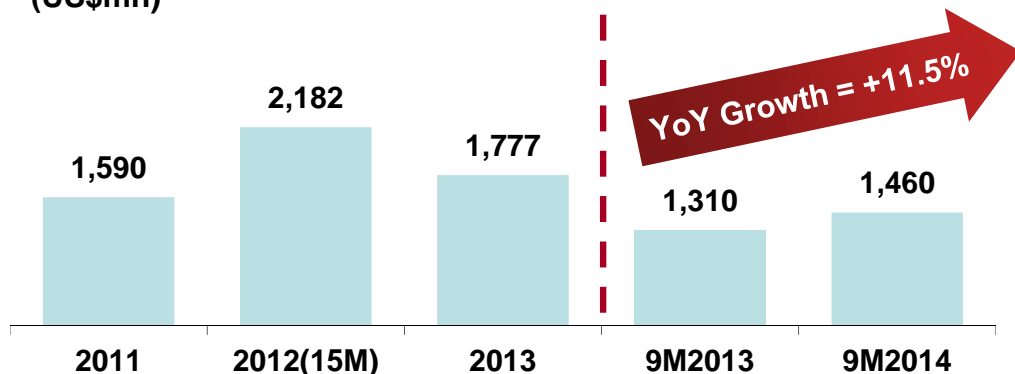
Financial Highlights - Pou Sheng



Pou Sheng's 10M2014 unaudited sales ended 2014/10/31 increased Y-o-Y by 11.0% to US\$1.6 bn.

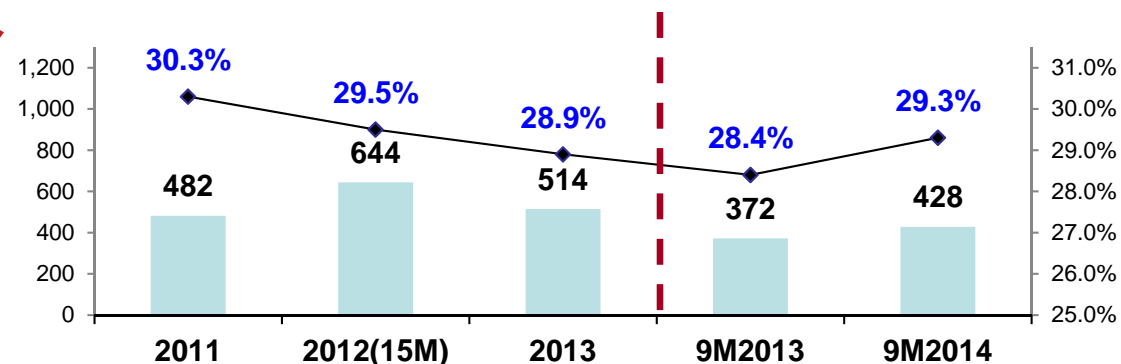
Turnover

(US\$mn)



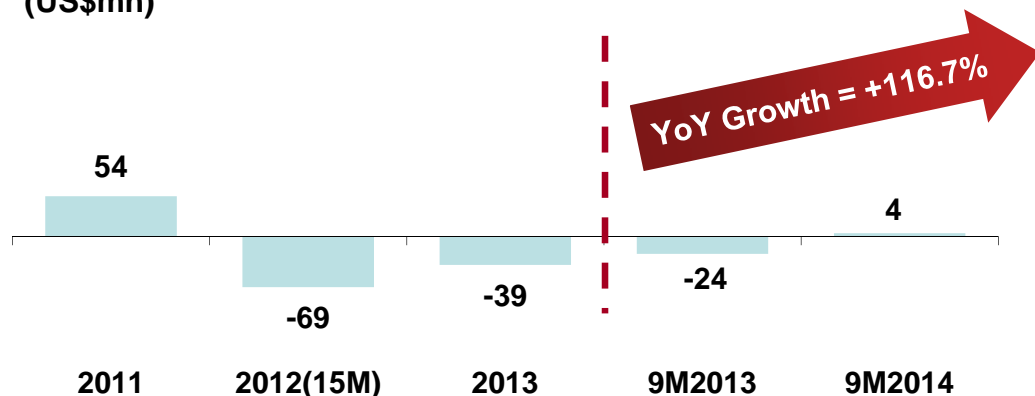
Gross Margin

(US\$mn)

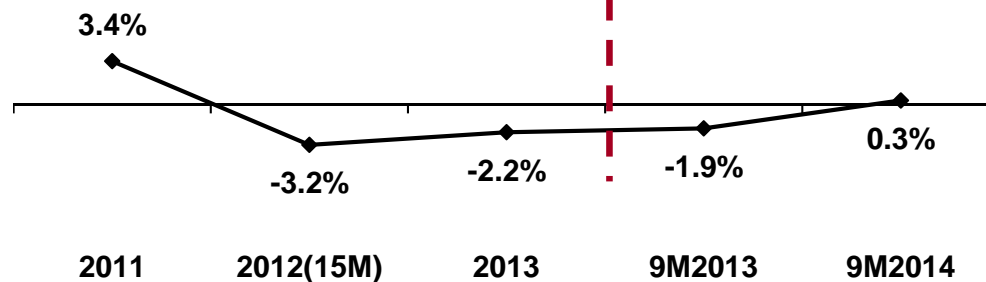


Net Income⁽²⁾

(US\$mn)



Net Margin



(1) Because of the change of financial year end date, Pou Sheng's 2012 annual information covering 15 months from 2011/10/01~2012/12/31.

(2) Net profit attributable to owners of the company, excluding "non-controlling interests".

Financial Highlights - PCC (Consolidated)



The performance of PCC's core businesses contracted in FY2013 due to rising input costs as well as the relocation and allocation of production capacity affected short-run operating efficiency. However, benefit from the investments' contribution, PCC's net income still enjoyed a healthy growth in FY2013.

(NT\$m)	FY2011	FY2012 (15M) ⁽¹⁾	FY2013 ⁽¹⁾
Turnover	208,439	276,108	226,665
Gross Profit	48,841	65,231	50,528
Gross Margin	23.4%	23.6%	22.3%
Operating Income	11,472	15,895	10,099
Operating Margin	5.5%	5.8%	4.5%
Non-operating Income, net	2,625	4,675	8,633
Profit before taxation	14,097	20,570	18,732
Income Tax Expense	(1,206)	(1,630)	(1,821)
Net Income ⁽²⁾	5,807	10,156	10,619
Net Income Margin	2.8%	3.7%	4.7%
EPS (NT\$)	2.01	3.47	3.62

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⁽²⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

Financial Highlights - PCC (Consolidated)



Excluded the non-recurring loss for 9M2014, mainly due to additional provision for contributions to social insurance benefit and housing provident fund for employees in China factories, PCC's core business maintained a stable growth.

(NT\$m)	9M2013	9M2014	Growth Rate
Turnover	166,572	179,652	+7.9%
Gross Profit	36,437	40,403	+10.9%
Gross Margin	21.9%	22.5%	
Operating Income	6,582	5,360	-18.6%
Operating Margin	4.0%	3.0%	
Non-operating Income, net	7,499	5,644	-24.7%
Profit before taxation	14,081	11,004	-21.9%
Income Tax Expense	(1,405)	(1,532)	+9.0%
Net Income ⁽¹⁾	7,896	6,141	-22.2%
Net Income Margin	4.7%	3.4%	
EPS (NT\$)	2.69	2.09	-22.3%

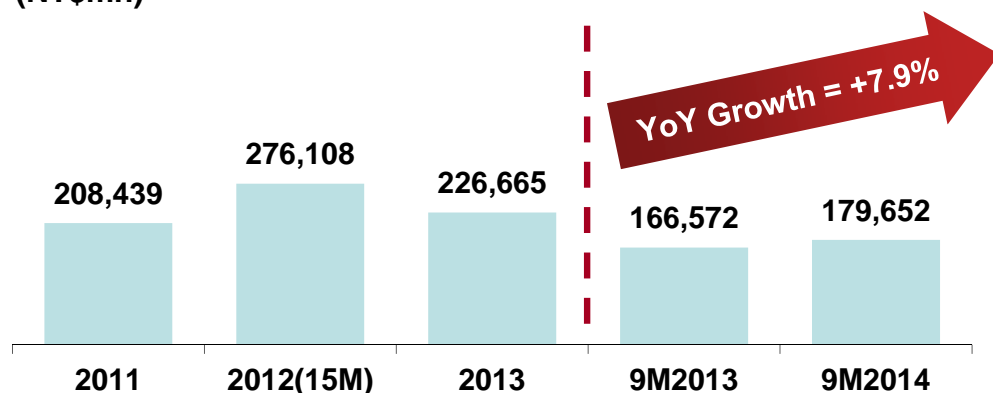
⁽¹⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

Financial Highlights - PCC (Consolidated)



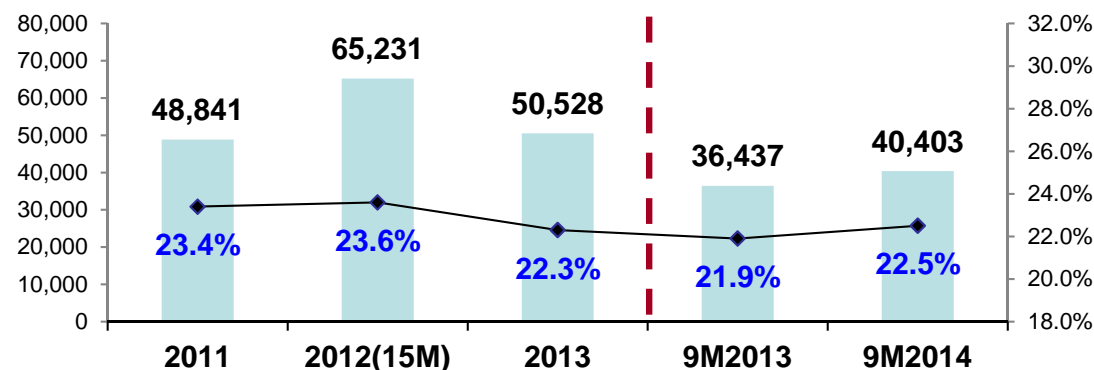
Turnover

(NT\$m)



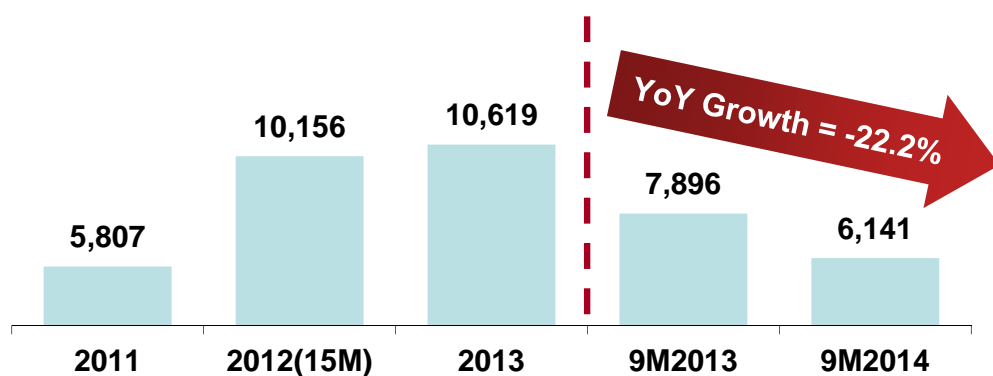
Gross Margin

(NT\$m)



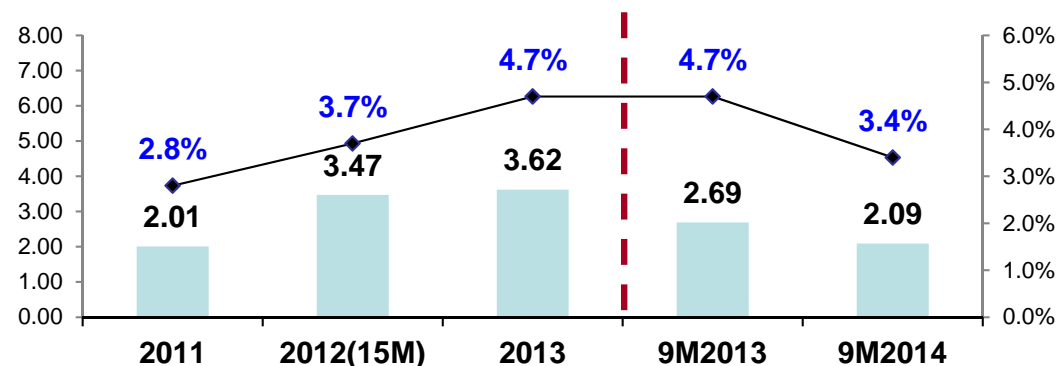
Net Income⁽²⁾

(NT\$m)



EPS/Net Margin

(NT\$)



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(2) Net profit attributable to owners of the company, excluding "non-controlling interests".

Dividend Policy



Per Share	FY2011 ⁽¹⁾	FY2012 (15M) ⁽¹⁾	FY2013 ⁽¹⁾
Dividend			
- Pou Chen (NT\$)	1.30 (Cash 1.30)	1.50 (Cash 1.50)	1.00 (Cash 1.00)
- YY (HK\$)	0.90	1.25	1.10
Cash Dividend Yield⁽²⁾			
- Pou Chen	5.2% (@NT\$24.85)	4.9% (@NT\$30.50)	2.2% (@NT\$44.55)
- YY	3.7% (@HK\$24.55)	4.9% (@HK\$25.40)	4.2% (@HK\$25.90)
Cash Dividend Payout Ratio			
- Pou Chen	64.7%	43.2%	27.6%
- YY	42.5%	42.6%	53.8%

⁽¹⁾ The dividends for 2011, 2012 and 2013 would be distributed in next years.

⁽²⁾ The cash dividend yield was divided by the market closing price at the end of 2011, 2012 and 2013.