



POU CHEN GROUP

寶成國際集團



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

- Establishment: Founded in September 1969
- Listing: Listed on the Taiwan Stock Exchange in January 1990
- Headquarter: Taichung, Taiwan
- Paid in Capital: US\$954 mn (NT\$29.09 bn)
- Market Cap.: US\$2,109 mn (@NT\$22.10 as of 2011/09/30)
- Sales: 9M2011 Consolidated Sales US\$5,189 mn (NT\$150.99 bn)
- Product Mix: Footwear 76.4%, Retail 22.6%, Others 1.0% (as of 9M2011)
- Major Production Bases for Footwear: China, Vietnam, Indonesia

Our Leading Position



➤ **The largest branded footwear manufacturer**

- Produced 249.1 million pairs of shoes in 9M2011, an increase of 17.0% compared with the corresponding period last year. Produced 287 million pairs of shoes in 2010, an increase of 16.4% compared with the corresponding period last year.
- The Group accounts for about 20% of the combined wholesale value of the global branded athletic and casual footwear market (including JVs).
- The Group is the only one footwear manufacturer in the world, who is competent to serve more than 60 international footwear brands simultaneously.

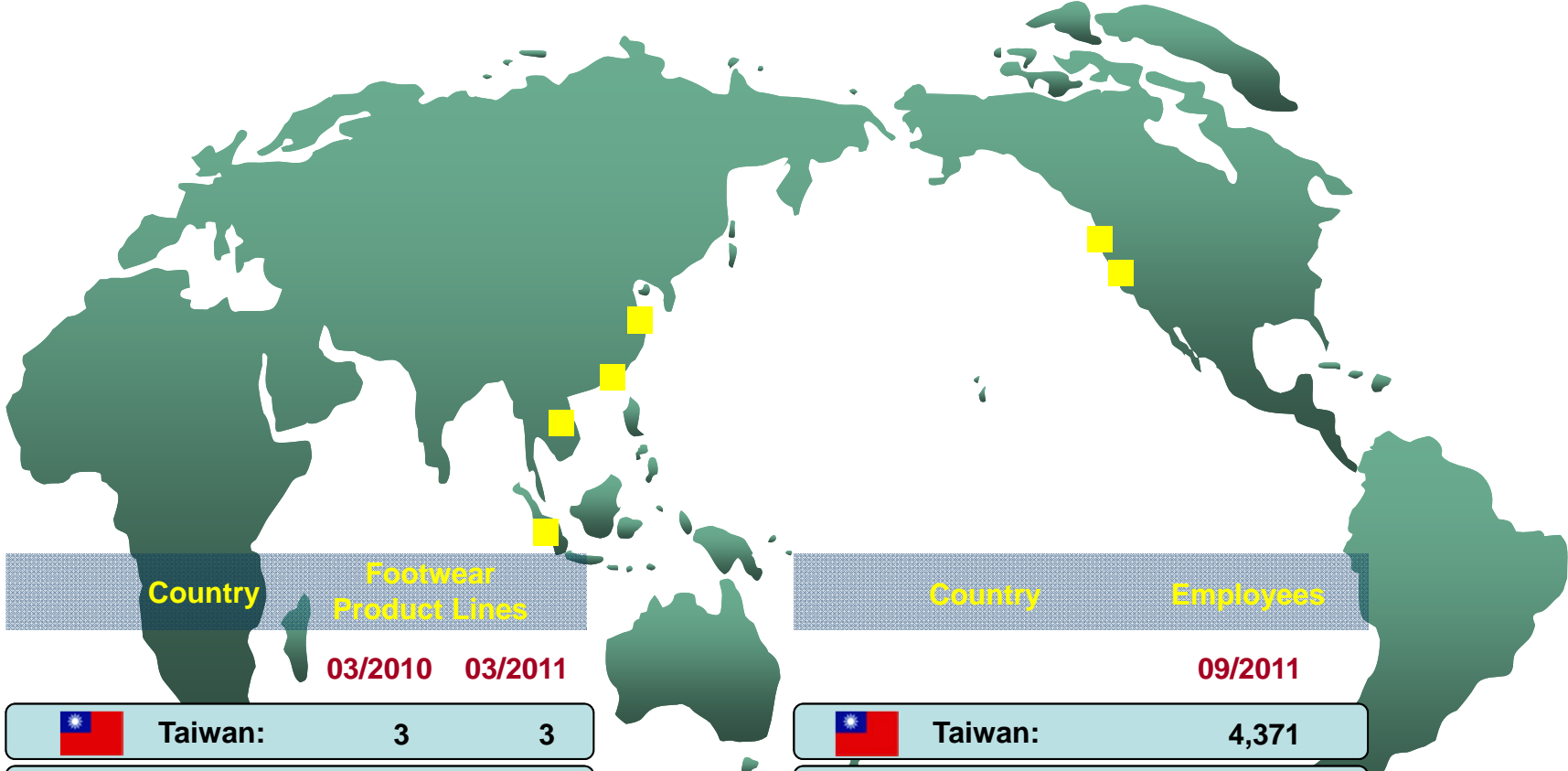
➤ **A Complete Supply Chain in the footwear industry**

- The Group invests and produces almost all raw materials of footwear industry. The vertical integration of the upstream companies not only to ensure the supply, smoothen the impact of price fluctuation, and also build up the entry barrier to new players.
- The fully integrated supply chain benefits the Group to provide prompt and efficient services for customers.

➤ **Actively Develop the two ends of “Smiling Curve” – Manufacturing and Retail**

- As at June 30, 2011, the Group, a leading sportswear retailer in Greater China, and its JVs operated a total of 9,510 retail point-of-sales across almost every province in the PRC.
- The Group will continue to develop its operating scale, leverage on the experience in sportswear production, rigid integration among all sectors from product development, marketing, sales, production to branding by end-to-end solution by which the profitability of the Group and brand customers were buoyed.

Global Operation



Country	Footwear Product Lines	
	03/2010	03/2011
Taiwan:	3	3
China :	223	235
Vietnam :	117	135
Indonesia :	105	130
Others:	-	6

Total: 448 509

Country	Employees
	09/2011
Taiwan:	4,371
China :	258,634
Vietnam :	147,081
Indonesia :	113,830
Others:	9,256

Total: 533,172

Business Overview



Business Segment Mix

Pou Chen: (Consolidated)	2008	2009	2010	9M2010	9M2011
	(NT\$mn; %)	(NT\$mn; %)	(NT\$mn; %)	(NT\$mn; %)	(NT\$mn; %)
Footwear	133,566 64.1%	139,664 67.7%	149,101 77.2%	103,535 70.9%	115,395 76.4%
Retail	26,650 12.8%	33,726 16.3%	37,551 19.4%	31,820 21.8%	34,137 22.6%
Electronics ⁽¹⁾	47,902 23.0%	32,285 15.6%	4,930 2.6%	- -	- -
Others	355 0.1%	765 0.4%	1,575 0.8%	10,614 7.3%	1,457 1.0%
Total	208,473 100%	206,440 100%	193,157 100%	145,969 100%	150,989 100%

⁽¹⁾ 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.

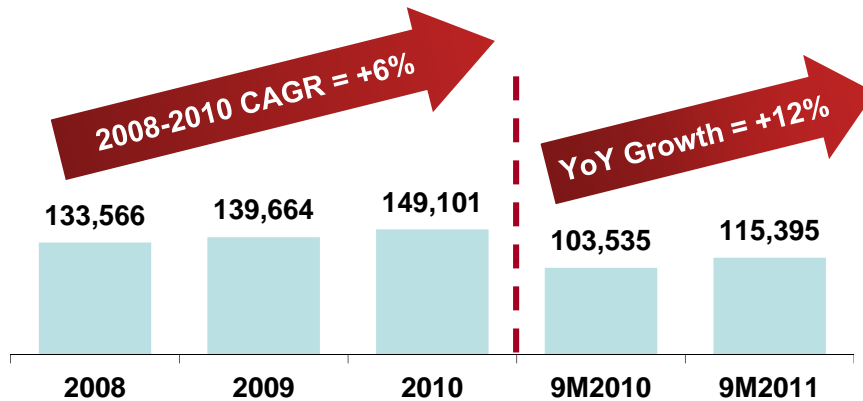
⁽²⁾ On January 1, 2011, PCC adopted SFAS No.41 "Disclosure of operating segment information", and had identified "Footwear business", "Retail business" and "Others" as its three reportable segments. The corresponding segment information for 9M2010 have been restated to reflect the above changes.

Business Overview



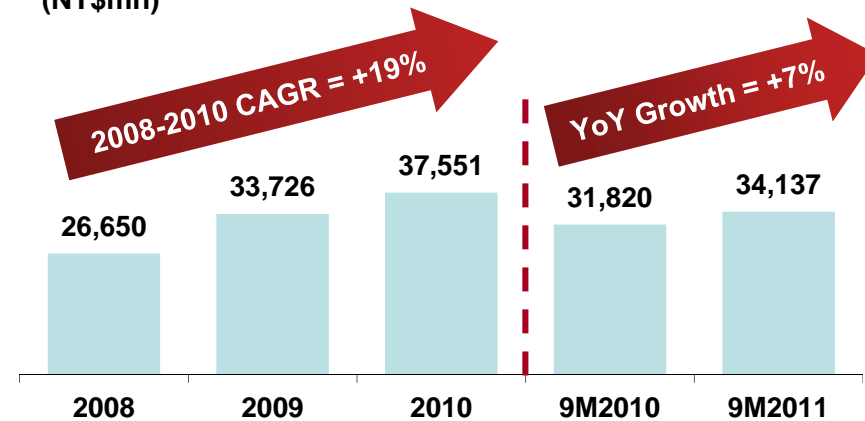
Sales – Footwear Business

(NT\$mn)



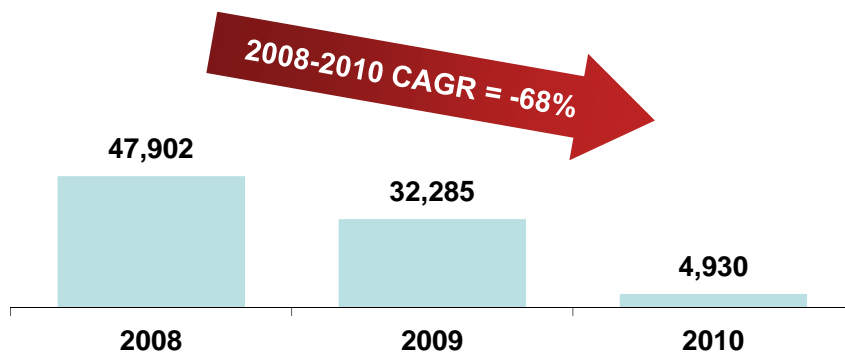
Sales - Retail Business

(NT\$mn)



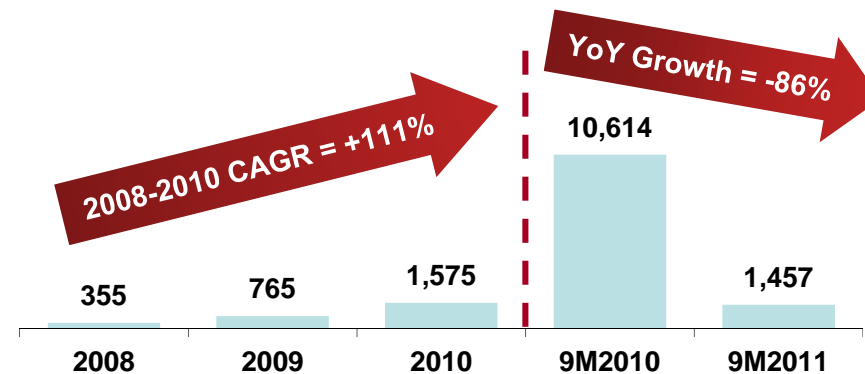
Sales – Electronics Business

(NT\$mn)



Sales - Others

(NT\$mn)



Manufacturing Business – Yue Yuen



Product Sales Mix

Yue Yuen: (Audited)	2008	2009	2010	9M2010⁽³⁾	9M2011⁽³⁾
	(US\$m; %)	(US\$m; %)	(US\$m; %)	(US\$m; %)	(US\$m; %)
Athletic Shoes	2,781 56.5%	2,710 54.0%	3,065 53.0%	2,246 53.5%	2,750 53.0%
Casual/Outdoor Shoes	712 14.5%	782 15.6%	943 16.3%	625 14.8%	867 16.7%
Sports Sandals	59 1.2%	72 1.4%	64 1.1%	57 1.4%	68 1.3%
Retails & Brand Licensee	849 17.3%	1,015 20.2%	1,186 20.5%	900 21.4%	1,062 20.5%
Soles, Components & Others	519 10.5%	438 8.8%	530 9.1%	373 8.9%	439 8.5%
Total	4,920 100%	5,017 100%	5,788 100%	4,201 100%	5,186 100%

Financial Highlights

(US\$m)	2008	2009	2010	9M2010⁽³⁾	9M2011⁽³⁾
Turnover	4,920	5,017	5,788	4,201	5,186
Gross Profit	1,190	1,282	1,410	1,042	1,165
Gross Margin	24.2%	25.6%	24.4%	24.8%	22.5%
Net Income ⁽¹⁾	469 ⁽²⁾	465	480	346	350
Net Income Margin	9.5%	9.3%	8.3%	8.2%	6.7%

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

⁽²⁾ Including one-off gain on disposal of partial interest of US\$123mn.

⁽³⁾ The figures were unaudited, prepared by Yue Yuen.

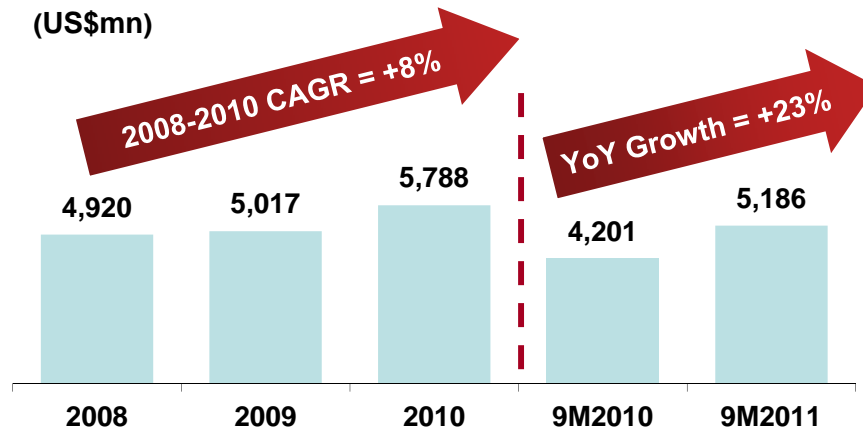
Financial Highlights – Yue Yuen



Yue Yuen's FY2011 unaudited sales ended 2011/09/30 increased Y-o-Y by 22% to US\$7,043 mn.

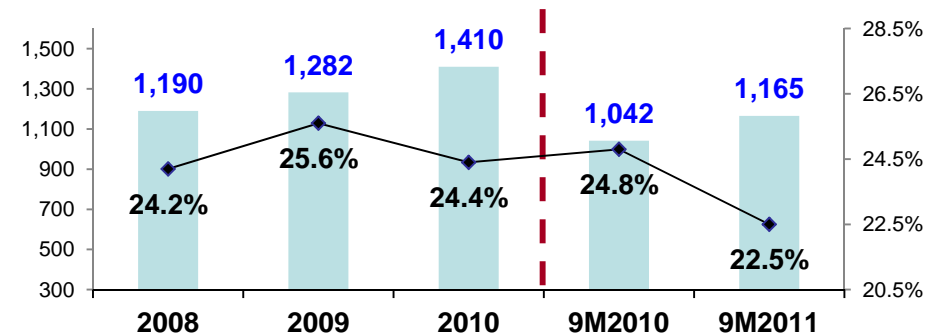
Turnover

(US\$mn)



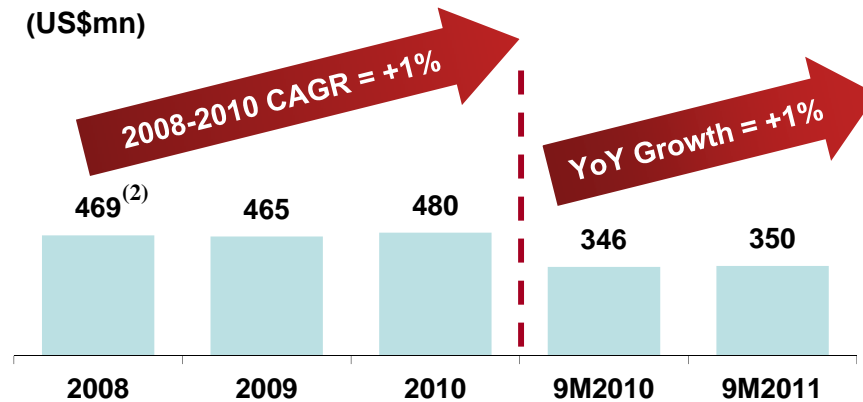
Gross Margin

(US\$mn)

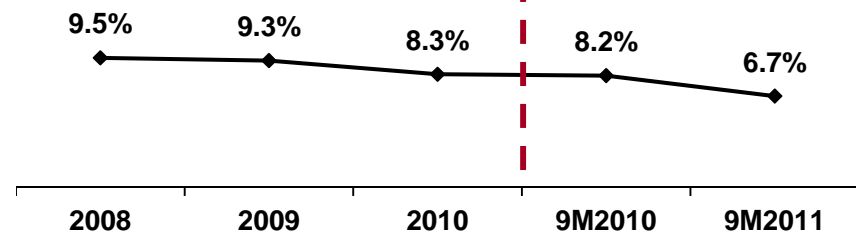


Net Income⁽¹⁾

(US\$mn)



Net Margin



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

(2) Including one-off gain on disposal of partial interest of US\$123mn.

Retail Business – Pou Sheng



Product Sales Mix

Pou Sheng: (Audited)	2008		2009		2010		9M2010 ⁽³⁾		9M2011 ⁽³⁾	
	(US\$m; %)		(US\$m; %)		(US\$m; %)		(US\$m; %)		(US\$m; %)	
Retail	667	69.6%	955	83.6%	1,141	86.2%	865	87.1%	1,019	86.8%
Brand Licensee	182	18.9%	60	5.3%	45	3.4%	34	3.4%	43	3.7%
Manufacturing	108	11.2%	121	10.6%	129	9.7%	94	9.5%	111	9.5%
Property Leasing & Mgt	3	0.3%	6	0.5%	9	0.7%	-	-	-	-
Total	960	100%	1,142	100%	1,324	100%	993	100%	1,173	100%

Financial Highlights

(US\$m)	2008	2009	2010	9M2010 ⁽³⁾	9M2011 ⁽³⁾
Turnover	960	1,142	1,324	993	1,173
Gross Profit	344	354	397	300	358
Gross Margin	35.9%	30.9%	30.0%	30.2%	30.6%
Net Income ⁽¹⁾	70 ⁽²⁾	-4	21	14	46
Net Income Margin	7.3%	-0.3%	1.6%	1.5%	3.9%

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

⁽²⁾ Including fair value changes on derivative financial instruments of US\$8mn.

⁽³⁾ The figures were unaudited, prepared by Pou Sheng.

⁽⁴⁾ Starting from 2011, Pou Sheng identified “Retail business”, “Brand Licensee business” and “Manufacturing business” as its three reportable segments. The corresponding segment information for 9M2010 have been restated to reflect the above changes.

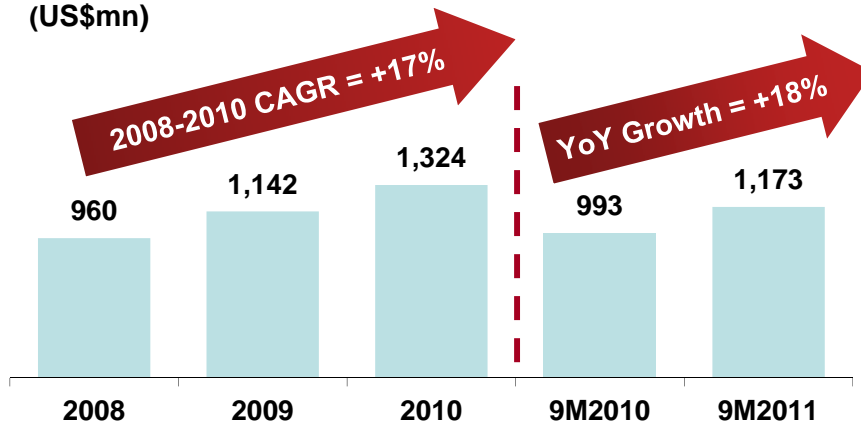
Financial Highlights – Pou Sheng



Pou Sheng's FY2011 unaudited sales ended 2011/09/30 increased Y-o-Y by 20% to US\$1,588 mn.

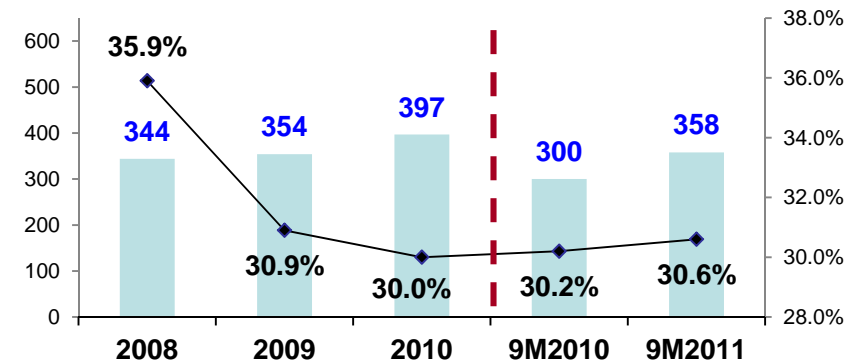
Turnover

(US\$mn)



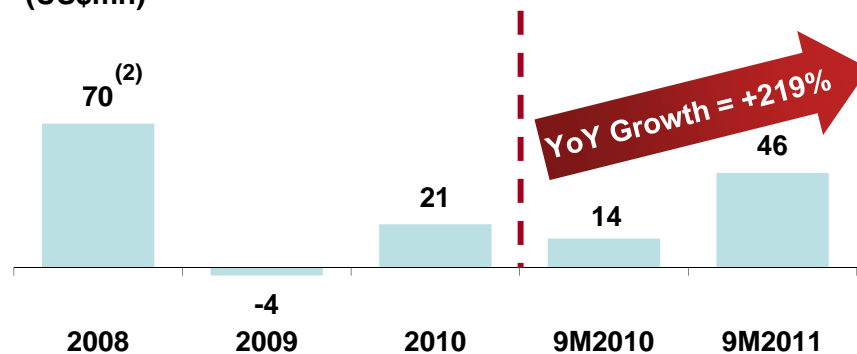
Gross Margin

(US\$mn)

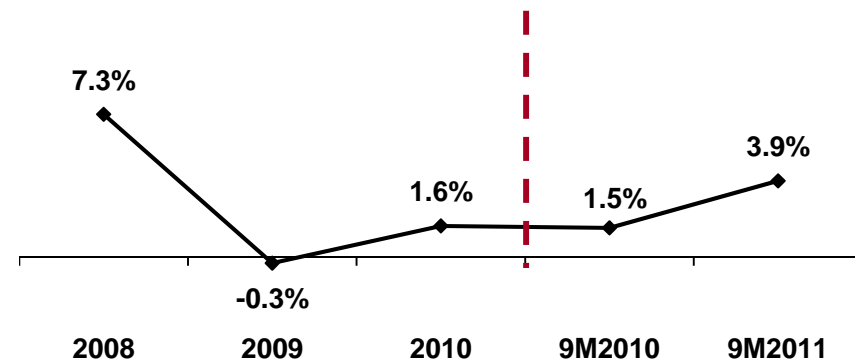


Net Income⁽¹⁾

(US\$mn)



Net Margin



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

(2) Including fair value changes on derivative financial instruments of US\$8mn.

Financial Highlights – PCC (Consolidated)



Benefited from the steady performance of core businesses and the disposal gain on investment, PCC’s net income continued to increase in 2010.

(NT\$m)	2008	2009	2010
Turnover	208,473	206,440	193,157
Gross Profit	47,917	50,695	47,947
Gross Margin	23.0%	24.6%	24.8%
Operating Income	15,092	14,801	14,066
Operating Margin	7.2%	7.2%	7.3%
Non-operating Income	3,659	5,168	6,798
Non-operating Expenses	6,643	4,565	2,728
Net Income ⁽¹⁾	5,071	7,026	7,896
Net Income Margin	2.4%	3.4%	4.1%
EPS (NT\$)	1.85	2.52	2.77

⁽¹⁾ Net profit attributable to parent company’s shareholders, excluding “minority interest”.

⁽²⁾ PCC recognized revaluation loss on financial assets/liabilities of NT\$56 mn in 2010 by adopting SFAS No.34.

⁽³⁾ PCC recognized revaluation gain on financial assets/liabilities of NT\$829 mn in 2009 by adopting SFAS No.34.

⁽⁴⁾ PCC recognized revaluation loss on financial assets/liabilities of NT\$750 mn in 2008 by adopting SFAS No.34.

Financial Highlights – PCC (Consolidated)



Excluded one-off investment disposal gain in 9M2010, PCC's core business maintained a stable growth in 9M2011.

(NT\$m)	9M2010	9M2011	Y-o-Y
Turnover	145,969	150,989	+3.4%
Gross Profit	38,775	35,803	-7.7%
Gross Margin	26.6%	23.7%	
Operating Income	11,117	9,497	-14.6%
Operating Margin	7.6%	6.3%	
Non-operating Income	5,316	3,852	-27.5%
Non-operating Expenses	2,142	2,447	+14.2%
Net Income ⁽¹⁾	6,732	4,647	-31.0%
Net Income Margin	4.6%	3.1%	
EPS (NT\$)	2.37	1.61	-32.1%

⁽¹⁾ Net profit attributable to parent company's shareholders, excluding "minority interest".

⁽²⁾ PCC recognized revaluation loss on financial assets/liabilities of NT\$385 mn in 9M2011 by adopting SFAS No.34.

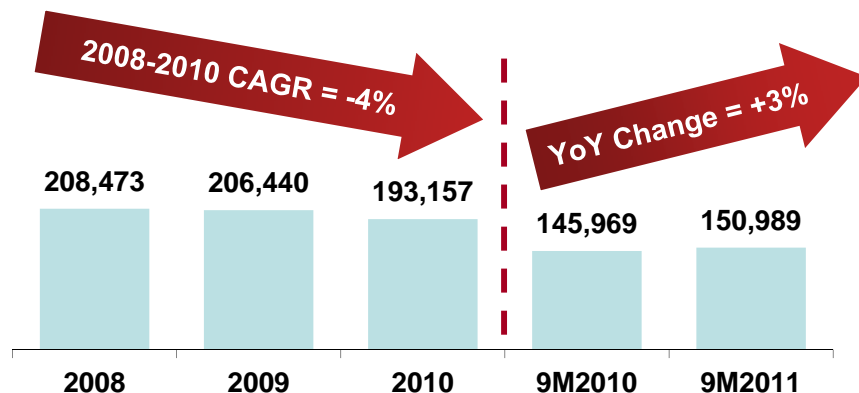
⁽³⁾ PCC recognized revaluation loss on financial assets/liabilities of NT\$131 mn in 9M2010 by adopting SFAS No.34.

Financial Highlights - PCC (Consolidated)



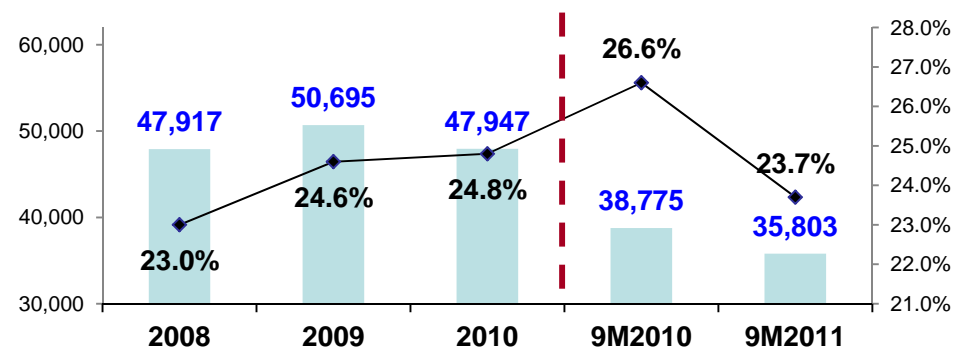
Turnover

(NT\$m)



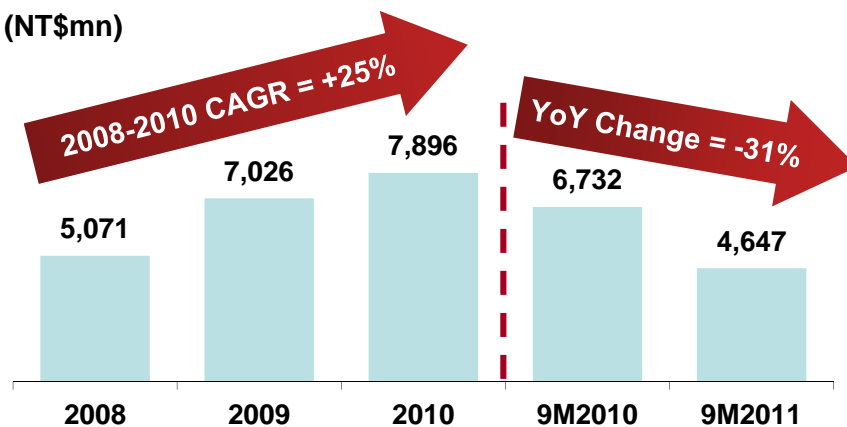
Gross Margin

(NT\$m)

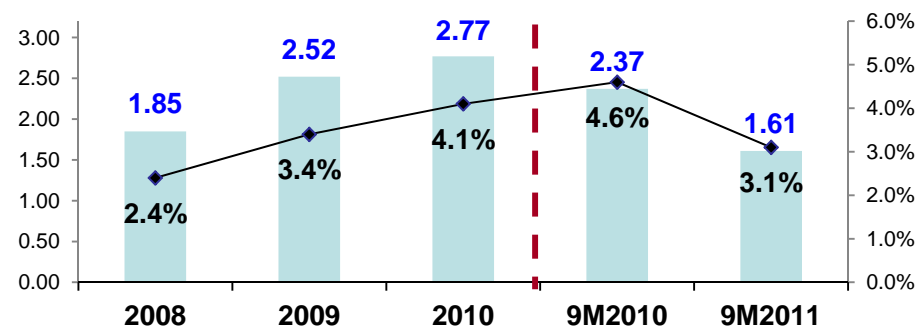


Net Income⁽¹⁾

(NT\$m)



EPS/Net Margin



⁽¹⁾ Net profit attributable to parent company's shareholders, excluding "minority interest".

Dividend Policy



Per Share	2008 ⁽¹⁾	2009 ⁽¹⁾	2010 ⁽¹⁾
Dividend			
- Pou Chen (NT\$)	1.00 (Cash 0.50)	1.70 (Cash 1.50)	1.20 (Cash 1.20)
- YY (HK\$)	0.89	0.89	0.90
Cash Dividend Yield⁽²⁾			
- Pou Chen	3.4% (@NT\$14.65)	5.9% (@NT\$25.4)	4.5% (@NT\$26.95)
- YY	5.8% (@HK\$15.32)	4.0% (@HK\$22.5)	3.2% (@HK\$27.95)
Cash Dividend Payout Ratio			
- Pou Chen	27.0%	59.5%	43.3%
- YY	40.5%	40.7%	39.8%

⁽¹⁾ The dividends for 2008, 2009 and 2010 would be distributed in next years.

⁽²⁾ The cash dividend yield was divided by the market closing price at the end of 2008, 2009 and 2010.