# 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 INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

**GROUP FINANCIAL HIGHLIGHTS**

| | For the six months ended June 30, 2023 | 2022 | Percentage decrease |
|---|---|---|---|
| Revenue *(US$'000)* | **4,154,968** | 4,709,792 | **(11.78%)** |
| Recurring profit attributable to owners of the Company *(US$'000)* | **79,941** | 164,999 | **(51.55%)** |
| Non-recurring profit attributable to owners of the Company *(US$'000)* | **3,660** | 10,050 | **(63.58%)** |
| Profit attributable to owners of the Company *(US$'000)* | **83,601** | 175,049 | **(52.24%)** |
| Basic earnings per share *(US cents)* | **5.19** | 10.87 | **(52.25%)** |
| Dividend per share – interim dividend *(HK$)* | **0.20** | 0.40 | **(50.00%)** |

* *For identification purpose only*

## INTERIM RESULTS

The directors (the "Directors") of Yue Yuen Industrial (Holdings) Limited (the "Company" or "Yue Yuen") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended June 30, 2023 with comparative figures for the corresponding period in 2022 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended June 30, 2023*

| | | **For the six months ended June 30,** | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | **(unaudited)** | (unaudited) |
| | *NOTES* | ***US$'000*** | *US$'000* |
| Revenue | *3* | **4,154,968** | 4,709,792 |
| Cost of sales | | **(3,177,258)** | (3,614,054) |
| Gross profit | | **977,710** | 1,095,738 |
| Other income | | **66,537** | 61,357 |
| Selling and distribution expenses | | **(473,375)** | (538,640) |
| Administrative expenses | | **(286,325)** | (298,123) |
| Other expenses | | **(130,162)** | (109,100) |
| Finance costs | | **(43,944)** | (27,226) |
| Share of results of associates | | **22,285** | 23,541 |
| Share of results of joint ventures | | **6,841** | 6,713 |
| Other gains and losses | *4* | **3,660** | 9,688 |
| Profit before taxation | | **143,227** | 223,948 |
| Income tax expense | *5* | **(38,216)** | (47,474) |
| Profit for the period | *6* | **105,011** | 176,474 |
| Attributable to: | | | |
| Owners of the Company | | **83,601** | 175,049 |
| Non-controlling interests | | **21,410** | 1,425 |
| | | **105,011** | 176,474 |
| | | ***US cents*** | *US cents* |
| Earnings per share | *8* | | |
| – Basic | | **5.19** | 10.87 |
| – Diluted | | **5.19** | 10.86 |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended June 30, 2023*

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Profit for the period | **105,011** | 176,474 |
| **Other comprehensive (expense) income** | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Fair value changes on equity instruments at fair value through other comprehensive income | **(689)** | (7,045) |
| Share of other comprehensive (expense) income of associates | **(11,895)** | 1,297 |
| | **(12,584)** | (5,748) |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange difference arising on the translation of foreign operations | **(58,576)** | (64,515) |
| Share of other comprehensive expense of associates and joint ventures | **(4,521)** | (13,555) |
| | **(63,097)** | (78,070) |
| Other comprehensive expense for the period | **(75,681)** | (83,818) |
| Total comprehensive income for the period | **29,330** | 92,656 |
| Total comprehensive income (expense) for the period attributable to: | | |
| Owners of the Company | **30,282** | 115,620 |
| Non-controlling interests | **(952)** | (22,964) |
| | **29,330** | 92,656 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At June 30, 2023*

| | NOTE | At June 30, 2023 (unaudited) US$'000 | At December 31, 2022 (audited) US$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | | **245,479** | 246,075 |
| Property, plant and equipment | | **1,717,794** | 1,871,035 |
| Right-of-use assets | | **536,923** | 584,010 |
| Deposits paid for acquisition of property, plant and equipment/right-of-use assets | | **23,482** | 26,814 |
| Intangible assets | | **9,830** | 9,072 |
| Goodwill | | **256,828** | 260,378 |
| Interests in associates | | **432,150** | 431,601 |
| Interests in joint ventures | | **175,988** | 183,507 |
| Equity instruments at fair value through other comprehensive income | | **16,894** | 17,873 |
| Financial assets at fair value through profit or loss | | **26,835** | 20,505 |
| Rental deposits | | **17,658** | 20,717 |
| Deferred tax assets | | **121,751** | 120,309 |
| | | **3,581,612** | 3,791,896 |
| Current assets | | | |
| Inventories | | **1,252,010** | 1,625,117 |
| Trade and other receivables | *9* | **1,511,983** | 1,430,944 |
| Financial assets at fair value through profit or loss | | **17,540** | 60,557 |
| Equity instrument at fair value through other comprehensive income | | **3,744** | 3,609 |
| Taxation recoverable | | **5,979** | 5,039 |
| Bank deposits over three months | | **52,590** | 23,478 |
| Cash and cash equivalents | | **907,244** | 994,781 |
| | | **3,751,090** | 4,143,525 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At June 30, 2023*

| | NOTE | At June 30, 2023 (unaudited) US$'000 | At December 31, 2022 (audited) US$'000 |
|---|---|---|---|
| Current liabilities | | | |
| Trade and other payables | 10 | **1,026,150** | 1,223,214 |
| Contract liabilities | | **66,685** | 72,808 |
| Financial liabilities at fair value through profit or loss | | **108** | 1,264 |
| Taxation payable | | **71,800** | 86,239 |
| Bank borrowings | | **370,282** | 506,430 |
| Lease liabilities | | **94,108** | 113,337 |
| | | **1,629,133** | 2,003,292 |
| Net current assets | | **2,121,957** | 2,140,233 |
| Total assets less current liabilities | | **5,703,569** | 5,932,129 |
| Non-current liabilities | | | |
| Bank borrowings | | **829,003** | 928,501 |
| Deferred tax liabilities | | **55,118** | 55,944 |
| Lease liabilities | | **191,145** | 217,906 |
| Retirement benefit obligations | | **98,765** | 87,453 |
| | | **1,174,031** | 1,289,804 |
| Net assets | | **4,529,538** | 4,642,325 |
| Capital and reserves | | | |
| Share capital | | **52,040** | 52,040 |
| Reserves | | **4,025,626** | 4,137,671 |
| Equity attributable to owners of the Company | | **4,077,666** | 4,189,711 |
| Non-controlling interests | | **451,872** | 452,614 |
| Total equity | | **4,529,538** | 4,642,325 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2022.

### 2.1 Application of amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform-Pillar Two model Rules |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

#### *2.2.1 Accounting policies*

The application of Amendments to HKAS 12 results in changes in accounting policies for taxation:

*Taxation*

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

#### *2.2.2 Transition and summary of effects*

As disclosed in the Group's annual financial statements for the year ended December 31, 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

(i) the Group has applied the new accounting policies retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 2.2 Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

#### *2.2.2 Transition and summary of effects (Continued)*

The Group recognized the related deferred tax assets associated with the lease liabilities of US$112,480,000 and US$81,655,000 as at January 1, 2022 and December 31, 2022 respectively and deferred tax liabilities of US$107,396,000 and US$76,861,000 associated with the right-of-use assets as at January 1, 2022 and December 31, 2022 respectively on a gross basis but it has no impact on the Group's financial position as the related deferred tax assets and liabilities continues to offset for the purpose of presentation in the condensed consolidated statement of financial position. There is also no impact on the Group's performance and the retained earnings at the earliest period presented.

### 2.3 Impacts on application of Amendments to HKAS 12 International Tax Reform-Pillar Two model Rules

HKAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities shall apply the amendments immediately upon issuance. The amendments also require that entities shall disclose separately its current tax expense/income related to Pillar Two income taxes, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

The Group is yet to apply the temporary exception during the current interim period because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements in which the Pillar Two legislation has been enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3. REVENUE AND SEGMENTAL INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of performance, focuses specifically on the revenue analysis by principal categories of the Group's business. The principal categories of the Group's business are manufacturing and sales of footwear products ("Manufacturing Business") and retail and distribution of sportswear and footwear products ("Retailing Business") which includes provision of large scale commercial spaces to retailers and distributors. Accordingly, only entity-wide disclosures are presented.

The information regarding revenue derived from the principal businesses described above is reported below:

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| **Revenue** | | |
| Manufacturing Business | **2,573,895** | 3,188,899 |
| Retailing Business | **1,581,073** | 1,520,893 |
| | **4,154,968** | 4,709,792 |

### 4. OTHER GAINS AND LOSSES

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Fair value changes on financial instruments at fair value through profit or loss | **3,670** | 7,022 |
| Loss on deregistration of subsidiaries | **(10)** | – |
| Gain on disposal of a joint venture | **–** | 3,633 |
| Impairment losses on property, plant and equipment and right-of-use assets | **–** | (967) |
| | **3,660** | 9,688 |

## 5. INCOME TAX EXPENSE

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Taxation attributable to the Company and its subsidiaries: | | |
| The People's Republic of China Enterprise Income Tax | | |
| – current period | **16,362** | 17,690 |
| – (over)underprovision in prior periods | **(2,201)** | 1,433 |
| Overseas taxation | | |
| – current period | **27,798** | 30,621 |
| – (over)underprovision in prior periods | **(832)** | 613 |
| | **41,127** | 50,357 |
| Withholding tax on dividend | **379** | 2,102 |
| Deferred tax credit | **(3,290)** | (4,985) |
| | **38,216** | 47,474 |

## 6. PROFIT FOR THE PERIOD

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Profit for the period has been arrived at after charging (crediting): | | |
| Total staff costs *(note)* | **1,066,381** | 1,170,303 |
| Net exchange loss (gain) (included in other expenses/income) | **14,387** | (626) |
| Amortization of intangible assets (included in selling and distribution expenses and administrative expenses) | **680** | 699 |
| Depreciation of right-of-use assets | **69,971** | 91,120 |
| Depreciation of property, plant and equipment *(note)* | **146,386** | 166,288 |
| (Gain) loss on disposal of property, plant and equipment (included in other income/expenses) | **(2,855)** | 863 |
| Loss on disposal of right-of-use-assets (included in other expenses) | **19** | 210 |

*note:* Total staff costs and depreciation of property, plant and equipment disclosed above included amounts capitalized in inventories. In addition, the staff costs for six months ended June 30, 2023 included severance expenses of approximately US$20,521,000 (2022: nil) (included in other expenses) arising from factory adjustments in the manufacturing side.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. DIVIDENDS

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Dividends recognized as distribution during the period: | | |
| 2022 final dividend of HK$0.70 per share (2022: 2021 final dividend of HK$0.20 per share) | **144,167** | 40,991 |

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of HK$0.20 (2022: HK$0.40) per share for the six months ended June 30, 2023. The interim dividend of approximately HK$322,434,000 shall be paid on October 6, 2023.

### 8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| | ***US$'000*** | *US$'000* |
| Earnings: | | |
| Earnings for the purpose of basic and diluted earnings per share, being profit for the period attributable to owners of the Company | **83,601** | 175,049 |

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(unaudited)** | (unaudited) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,610,344,699** | 1,609,755,323 |
| Effect of dilutive potential ordinary shares: Unvested awarded shares | **1,809,746** | 2,253,923 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | **1,612,154,445** | 1,612,009,246 |

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows credit periods ranging from 30 days to 90 days which are agreed with each of its trade customers.

The following is an aged analysis of trade receivables, net of allowance for credit losses, of US$952,926,000 (December 31, 2022: US$934,027,000) presented based on invoice date, which approximated to the respective revenue recognition dates:

| | **At June 30, 2023 (unaudited)** ***US$'000*** | At December 31, 2022 (audited) *US$'000* |
|---|---|---|
| 0 to 30 days | **569,290** | 649,294 |
| 31 to 90 days | **374,886** | 281,494 |
| Over 90 days | **8,750** | 3,239 |
| | **952,926** | 934,027 |

## 10. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables, presented based on the invoice date/issuance date of the bills at the end of the reporting period.

| | **At June 30, 2023 (unaudited)** ***US$'000*** | At December 31, 2022 (audited) *US$'000* |
|---|---|---|
| 0 to 30 days | **305,995** | 276,970 |
| 31 to 90 days | **85,789** | 93,393 |
| Over 90 days | **5,784** | 56,567 |
| | **397,568** | 426,930 |

## 11. FINANCIAL GUARANTEE CONTRACTS

At the end of the reporting period, the Group had financial guarantee contracts as follows:

| | **At June 30, 2023 (unaudited)** *US$'000* | At December 31, 2022 (audited) *US$'000* |
|---|---|---|
| Guarantees given to banks in respect of banking facilities granted to: | | |
| (i) a joint venture | | |
| – amount guaranteed | **27,500** | 22,500 |
| – amount utilized | **15,525** | 13,572 |
| (ii) an associate | | |
| – amount guaranteed | **20,700** | 20,700 |
| – amount utilized | **149** | 7,349 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Yue Yuen is the world's largest manufacturer of athletic, athleisure, casual and outdoor footwear with a diversified portfolio of brand customers and production sites. It has long-standing relations and a reputation for serving leading international brands, including Nike, adidas, Asics, New Balance, Timberland and Salomon at the highest level. The Group's production capacity located across the globe is widely recognized for its responsiveness, flexibility, innovation, design and development capabilities, and superior quality. The Group also operates one of the largest and most integrated sportswear retail networks in the Greater China region through its listed subsidiary Pou Sheng International (Holdings) Limited ("Pou Sheng").

In the six months ended June 30, 2023 (the "Period"), statistics of major footwear manufacturing countries showed that global demand for footwear remained soft. According to China Customs, the value of Chinese footwear exports in the first half declined by 6.3% year-on-year to US$25.1 billion. According to Vietnam Customs, the value of Vietnamese footwear exports in the first half declined by 16.8% year-on-year to US$9.8 billion. According to the Central Bureau of Statistics of Indonesia, the value of Indonesian sport shoes exports in the first five months declined by 26.9% year-on-year to US$1.8 billion.

Throughout the Period, a sluggish global macroeconomic environment and the ongoing inventory destocking cycle across the footwear industry pushed down the short-term performance of the Group's manufacturing business. Notwithstanding relatively resilient demand for its high-end footwear that led to a good expansion in export prices, a weak order book and low visibility inevitably impacted the capacity utilization rate and operating efficiency of the Group's manufacturing business, resulting in operating deleverage that affected its profitability.

The Group combatted these short-term pressures by continuing to implement its highly agile capacity allocation strategy and flexibly adjusting its manpower with demand. It also continued to implement strict cost control measures while enhancing productivity where possible to safeguard the underlying fundamentals and profitability of the manufacturing business.

Meanwhile, the Group's retail subsidiary Pou Sheng saw decent recovery momentum during the Period, including increased foot traffic at shopping malls and its retail stores and improved purchasing intent following the lifting of all pandemic control measures in mainland China. It also benefitted from a low base effect stemming from the escalation of lockdowns in the same period of last year. Further, sales through its omni-channels remained robust as Pou Sheng pressed ahead with its digital transformation. In particular, Pou Sheng's private domain channels, which include its WeChat stores, Douyin live-streaming shopping events and shopping mall membership platforms, saw strong sales growth of over 50% year-on-year during the Period. Pou Sheng also continued to push forward its retail refinement strategy, further streamlining and rightsizing its retail network while strengthening the integration of its omni-channels, as well as diversifying channel mix to clear excess inventory. With the market environment remaining volatile, Pou Sheng continued to focus on conversion rates and in-season full-price sales, while deepening its engagement with customers and improving its operational efficiency. For a more detailed explanation of the financials and strategy of the Group's retail business, please refer to the 2023 interim results announcement of Pou Sheng.

As a responsible leader in the footwear industry, Yue Yuen is a member of the World Federation of the Sporting Goods Industry ("WFSGI") and supports the principles of the WFSGI Code of Conduct. It is also an advocate for the United Nations Global Compact ("UNGC") and key Sustainable Development Goals ("SDGs"). The Group remains committed to sustainability, ethical conduct and its corporate values. Whenever making important business decisions, the Group considers the interests of all stakeholders, including employees and the surrounding community. The Group monitors and manages its business using comprehensive guidelines for employee relations, workplace safety, and the efficient use of raw materials, energy and other environmental metrics, promoting a culture of ethical conduct and integrity.

The Group's sustainability efforts continued to be recognized by distinguished external parties. It has recently been ranked among the top three in the 'Best ESG' category by *Institutional Investor* magazine following votes from the investment community. The Group's CDP Climate Change Score was upgraded to 'B' (Management) level. It continued to maintain its resilient 'BBB' MSCI ESG rating, reflecting its efforts and that of its parent company, Pou Chen Corporation ("Pou Chen"), in setting targets and taking action to promote sustainability, a great place to work culture and corporate governance.

As a people-oriented business, the Group abides by its Code of Conduct and is dedicated to fostering a caring culture and to developing talent internally as part of its long-term sustainable development. Its parent company Pou Chen continues to be accredited by the Fair Labor Association ("FLA"), and together with the Group, places the health, safety and welfare of all employees as a top priority while fostering human rights and providing fair compensation in its workplaces. For more details, please refer to the 2022 Environmental, Social and Governance Report of the Company, which is the first prepared to align with more stringent international sustainability standards and frameworks, such as those set by the Global Reporting Initiative ("GRI"), Sustainability Accounting Standards Board ("SASB") and recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

## Results of Operations

In the Period under review, the Group recorded revenue of US$4,155.0 million, representing a decrease of 11.8% compared with the corresponding period of last year, which was mostly due to weakness in its manufacturing business resulting from softer global demand for footwear amid the current inventory digestion cycle taking place across the industry. The profit attributable to owners of the Company was US$83.6 million, a decrease of 52.2% compared to a profit attributable to owners of the Company of US$175.0 million recorded for the corresponding period of last year. The profit attributable to owners of the manufacturing business decreased by 67.7% to US$56.0 million, which was partly offset by the decent recovery momentum of Pou Sheng during the Period with the profit attributable to owners of Pou Sheng increasing by 1,654.2% to RMB305.5 million. The basic earnings per share for the first half of 2023 was 5.19 US cents, compared to the basic earnings per share of 10.87 US cents for the corresponding period of last year.

### *Revenue Analysis*

For the Period under review, revenue attributed to footwear manufacturing activity (including athletic/outdoor shoes, casual shoes and sports sandals) decreased by 18.1% to US$2,379.0 million, compared with the corresponding period of last year. The volume of shoes shipped during the Period decreased by 23.8% to 109.8 million pairs due to soft global demand and a high base effect. The average selling price increased by 7.5% to US$21.67 per pair, led by relatively resilient demand for the Group's high-end footwear.

The Group's athletic/outdoor shoes category accounted for 86.7% of footwear manufacturing revenue in the Period under review. Casual shoes and sports sandals accounted for 13.3% of footwear manufacturing revenue. When considering the Group's consolidated revenue, athletic/outdoor shoes represented the Group's principal category, accounting for 49.7% of total revenue, followed by casual shoes and sports sandals, which accounted for 7.6% of total revenue.

For the Period under review, the Group's total revenue with respect to the manufacturing business (including footwear, as well as soles, components and others) was US$2,573.9 million, representing a decrease of 19.3% as compared to the corresponding period of last year.

For the Period under review, revenue attributed to Pou Sheng increased by 4.0% to US$1,581.1 million, compared to US$1,520.9 million in the corresponding period of last year. In RMB terms (Pou Sheng's reporting currency), revenue increased by 11.1% to RMB10,960.0 million, compared to RMB9,864.8 million in the corresponding period of last year. The increase in revenue was mainly attributed to a recovery of purchasing intent and foot traffic at its retail stores across mainland China, the resilient performance of its omni-channels, particularly its Pan-WeChat Ecosphere, as well as a low base effect. As of June 30, 2023, Pou Sheng had 3,723 directly operated retail outlets across the Greater China region, representing a net closure of 370 stores as compared with the 2022 year-end. The net closure is in line with Pou Sheng's retail refinement strategy that focuses on streamlining and refining store networks to enhance efficiency. It is also leveraging its operational expertise and taking a more holistic approach in prioritizing selective high-quality openings with business partners. As a result, the contribution of quality larger-format stores (above 300 $m^2$) to Pou Sheng's directly-operated store count rose to 19.7% (first half of 2022: 16.9%).

**Total Revenue by Category**

| | **For the six months ended June 30,** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | *change* |
| | ***US$ million*** | ***%*** | *US$ million* | *%* | *%* |
| Athletic/Outdoor Shoes | **2,063.4** | **49.7** | 2,465.2 | 52.3 | (16.3) |
| Casual Shoes & Sports Sandals | **315.6** | **7.6** | 440.7 | 9.4 | (28.4) |
| Soles, Components & Others | **194.9** | **4.7** | 283.0 | 6.0 | (31.1) |
| Pou Sheng* | **1,581.1** | **38.0** | 1,520.9 | 32.3 | 4.0 |
| **Total Revenue** | **4,155.0** | **100.0** | 4,709.8 | 100.0 | (11.8) |

* *Sales of the Group's retail subsidiary in the Greater China region, including shoes, apparel, commissions from concessionaire sales and others*

Manufacturing orders from international brands are received by business units that manage each customer and normally take about ten to twelve weeks to fill. Reducing lead times in response to the fast fashion trend remains at the core of many customers' long-term success, with an increasing number of orders requesting shorter lead times of between 30-45 days. Nevertheless, the short-term priorities of some customers are balancing agile capacity allocation, on-time delivery and quick response time in the face of short-term uncertainties.

Sales from the Group's retail business across the Greater China region are recorded on a daily basis, or at periodic intervals if from sub-distributors.

***Production Review***

During the first half of 2023, the Group's manufacturing business shipped a total of 109.8 million pairs of shoes, a decrease of 23.8% compared to the 144.1 million pairs shipped in the corresponding period of last year. The average selling price per pair was US$21.67, an increase of 7.5% as compared to US$20.16 in the corresponding period of last year.

In terms of production allocation, Vietnam, Indonesia and mainland China continued to be the Group's main production locations by shoe volume in the first half of 2023, representing 35%, 48% and 12% of total shoe shipments, respectively.

***Cost Review***

With respect to the cost of goods sold by the Group's manufacturing business in the Period under review, total main material costs were US$943.6 million (first half of 2022: US$1,219.3 million). Direct labor costs and production overheads were US$1,182.1 million (first half of 2022: US$1,412.8 million). The total cost of goods sold by the Group's manufacturing business was US$2,125.7 million (first half of 2022: US$2,632.1 million). For the Group's retail business, Pou Sheng, stock costs were US$1,051.5 million in the Period under review (first half of 2022: US$982.0 million).

During the Period under review, the Group's gross profit decreased by 10.8% to US$977.7 million, led by the decline in revenue. The overall gross profit margin increased by 0.2 percentage points to 23.5%.

The gross profit of the manufacturing business during the Period decreased by 19.5% to US$448.2 million. The gross profit margin of the manufacturing business during the Period remained largely stable, declining by just 0.1 percentage points to 17.4% compared to the corresponding period of last year, which was mainly attributed to the Group's cost-reduction and efficiency-improvement efforts, flexible production scheduling, and the prompt adjustment of manpower versus demand, all of which help to offset most of the negative impact of the reduced capacity utilization rate resulting from weaker demand.

**Cost of Goods Sold Analysis – Manufacturing Business**

| | **For the six months ended June 30,** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | *change* |
| | ***US$ million*** | **%** | *US$ million* | % | % |
| Main Material Costs | **943.6** | **44.4** | 1,219.3 | 46.3 | (22.6) |
| Direct Labor Costs & Production Overheads | **1,182.1** | **55.6** | 1,412.8 | 53.7 | (16.3) |
| **Total Cost of Goods Sold** | **2,125.7** | **100.0** | 2,632.1 | 100.0 | (19.2) |

Despite well-managed discount control, Pou Sheng's gross profit margin decreased by 1.9 percentage points to 33.5% in the first half of 2023, which was mainly attributed to negative channel mix impact.

The Group's total selling and distribution expenses for the first half of 2023 decreased by 12.1% to US$473.4 million (first half of 2022: US$538.6 million), equivalent to approximately 11.4% (first half of 2022: 11.4%) of revenue.

Administrative expenses for the first half of 2023 decreased by 4.0% to US$286.3 million (first half of 2022: US$298.1 million), equivalent to approximately 6.9% (first half of 2022: 6.3%) of revenue.

Other income for the first half of 2023 increased by 8.4% to US$66.5 million (first half of 2022: US$61.4 million), equivalent to approximately 1.6% (first half of 2022: 1.3%) of revenue. Other expenses increased by 19.3% to US$130.2 million (first half of 2022: US$109.1 million), equivalent to approximately 3.1% (first half of 2022: 2.3%) of revenue. During the Period, the Group made necessary adjustments to its manufacturing business to combat volatile capacity utilization and as part of its long-term capacity allocation plan. The related severance expenses amounted to approximately US$20.5 million.

***Recurring Profit Attributable to Owners of the Company***

In the Period under review, the Group recognized a non-recurring profit attributable to owners of the Company of US$3.7 million. The decrease was mainly due to the decline in gains on fair value changes on financial instruments at fair value through profit or loss ("FVTPL") and no gain on disposal during the Period, unlike in the corresponding period of last year. In the same period of 2022, the Group recognized a non-recurring profit attributable to owners of the Company of US$10.1 million, due to a gain of US$7.0 million on fair value changes on financial instruments at FVTPL, as well as a gain of US$3.6 million on the disposal of a joint venture.

Excluding all items of non-recurring in nature, the recurring profit attributable to owners of the Company for the Period under review, was US$79.9 million, compared to a recurring profit attributable to owners of the Company of US$165.0 million for the corresponding period of last year.

### *Product Development*

In the Period under review, the Group spent US$83.4 million (first half of 2022: US$98.2 million) on product development, including investments in sampling and digital prototyping, technological and process engineering, as well as production efficiency enhancements. For each of the major brand customers that has an R&D team, a parallel independent product development center exists within the Group to support the said R&D team. In addition to this product development work, the Group also cooperates with its customers to seek efficiency improvements in production processes and lead times, formulate new techniques to produce high-quality footwear, and incorporate innovative and sustainable materials into the design, development, and manufacture of its products.

## Liquidity, Financial Resources, Capital Structure and Others

### *Cash Flow*

In the Period under review, the Group recorded net cash generated from operating activities (net of tax) of US$363.6 million (first half of 2022: US$8.7 million). Net free cash inflow amounted to US$281.0 million (first half of 2022: net free cash outflow US$102.7 million). Net cash flow generated from investing activities amounted to US$44.1 million (first half of 2022: outflow US$102.5 million) while net cash used in financing activities was US$487.6 million (first half of 2022: inflow US$55.2 million). The overall net decrease in cash and cash equivalents amounted to US$87.5 million (first half of 2022: net decrease of US$53.6 million).

### *Financial Position and Liquidity*

The Group's financial position remained solid. As at June 30, 2023, the Group had bank balances and cash of US$959.8 million* (December 31, 2022: US$1,018.3 million) and total bank borrowings of US$1,199.3 million (December 31, 2022: US$1,434.9 million). The Group's gearing ratio (total bank borrowings to total equity) was 26.5% (December 31, 2022: 30.9%). As at June 30, 2023, the Group had net borrowing of US$239.5 million (December 31, 2022: US$416.7 million) and a net gearing ratio (net bank borrowings to total equity) of 5.3% (December 31, 2022: 9.0%). As at June 30, 2023, the Group had current assets of US$3,751.1 million (December 31, 2022: US$4,143.5 million) and current liabilities of US$1,629.1 million (December 31, 2022: US$2,003.3 million). The current ratio was 2.3 as at June 30, 2023 (December 31, 2022: 2.1).

* *Ending bank balances and cash as at June 30, 2023, included bank deposits with original maturity over three months which amounted to US$52.6 million.*

### *Funding and Capital Structure*

The Group principally meets its current and future working capital, capital expenditure and other investment requirements through a combination of funding sources, including cash flows from operations and bank borrowings. With regard to the choice of debt versus equity financing, which would thus affect its capital structure, the Group will consider the impact on its weighted average cost of capital and its leverage ratio, etc., with an aim of lowering the weighted average cost of capital while maintaining its gearing ratio at a comfortable level. The Group used debt financing mostly by means of bank loans. In terms of the maturity profile of loans, most of the bank loans for the Group's manufacturing business were long-term committed facilities that partly meet the funding needs of its capital expenditures and long-term investments. Short-term revolving loan facilities were also utilized regularly for daily working capital purposes, especially for the Group's retail business. At present, the Group maintains an abundant level of bank facilities to meet its working capital needs. As of June 30, 2023, around 79.1% of the Group's total bank borrowings were long-term bank loans while around 69.1% of the Group's total bank borrowings had a remaining tenor of over one year.

Almost all of the bank borrowings of the Group relating to its manufacturing business are in USD. The Group's cash holdings in relation to its manufacturing business are held in USD and also in the local currencies (e.g. VND, IDR, RMB) of the various countries where its production facilities are located for daily operation purposes. For the Group's retail business, Pou Sheng's bank borrowings and cash balances are held mostly in RMB, which is its functional currency.

All of the Group's bank borrowings relating to its manufacturing business are on a floating rate basis, while some bank borrowings relating to its retail business are fixed-rate. A portion of the Group's floating interest rate risk exposure was hedged by interest rate swaps.

### *Capital Expenditure*

For the Period under review, the Group's overall capital expenditure reached US$82.6 million (first half of 2022: US$111.4 million). The capital expenditure for the Group's manufacturing business was US$59.9 million (first half of 2022: US$89.2 million), as it adopted a disciplined approach to push forward with its capital expenditure program targeting the strategic expansion and optimization of its manufacturing capacity under the current uncertain macro environment backdrop.

As for investments in its retail business Pou Sheng, capital expenditure increased to US$22.7 million during the Period under review (first half of 2022: US$22.2 million), in line with its retail refinement strategy. Pou Sheng continued its selective and prudent approach of strategically opening and upgrading experience-driven retail stores that provide a better shopping experience and enhance store productivity, as well as investing in the further optimization of both its online and physical networks to capture growth opportunities in the Greater China region.

***Significant Investments Held and Future Plans for Material Investments or Capital Assets***

During the Period under review, apart from investments for operation purposes which may be made in the ordinary and usual course of business, the Group also entered into a memorandum of understanding with the Tamil Nadu Government in India on April 17, 2023, under which an indirect wholly-owned subsidiary of the Company will invest approximately 23 billion Rupees (equivalent to approximately US$276 million) in phases in the investment project to establish the Group's manufacturing base in a special economic zone in India. The investment project will be funded by the internal resources of the Group and/or bank borrowings, if necessary. For details, please refer to the announcement of the Company dated April 17, 2023.

The Group currently has no plans for acquiring capital assets.

The Group may explore potential opportunities to invest for its sustainable growth from time to time and may have other plans for making material investments or acquiring capital assets in the future.

***Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures***

The Group did not have material acquisitions or disposals of subsidiaries, associates and joint ventures during the first half of 2023.

***Contingent Liabilities***

The Group has provided guarantees to banks in respect of banking facilities granted to a joint venture and an associate, the detail of which can be seen in Note 11 to the condensed consolidated financial statements in this announcement.

***Foreign Exchange Exposure***

All revenues from the manufacturing business are denominated in US dollars. The majority of material and component costs are paid in US dollars, while expenses incurred locally are paid for in the local currency i.e. wages, utilities, and local regulatory fees. A certain portion of IDR exposure is partly hedged with forward contracts.

For the Group's retail business in the Greater China region, the majority of its revenues are denominated in RMB. Correspondingly, almost all expenses are also denominated in RMB. For the retail business outside mainland China, both revenues and expenses are denominated in local currencies.

***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$29.1 million, compared to a combined profit of US$30.3 million in the corresponding period of last year.

**Interim Dividend**

The Board has resolved to declare an interim dividend of HK$0.20 per share (2022: HK$0.40 per share) for shareholders whose names appear on the register of members of the Company on Thursday, September 14, 2023. The interim dividend shall be paid on Friday, October 6, 2023.

The Group's commitment to upholding a relatively steady dividend level over the long term remains intact.

**Employees**

As at June 30, 2023, the Group had approximately 276,800 employees employed across all regions in which it operates, a decrease of 14.2% as compared to approximately 322,500 employees employed as at June 30, 2022. The Group adopts a remuneration system based on an employee's performance throughout the Period and prevailing salary levels in the market.

The Group believes that employees are important assets and applies a holistic approach to the recruitment, employment, training, and retention of employees.

The Group employs a competitive remuneration scheme and provides comprehensive employee benefits, in line with the relevant laws and regulations applicable to each of its operating locations. It sets aside a certain percentage of profits, according to the annual performance of the Group, as year-end bonuses to reward employees' contributions and work enthusiasm, allowing them to share in its operating results. It also provides insurance plans that are tailor-made to each operating location to reduce the medical expense burden of employees, as well as pension fund contributions in compliance with the laws and regulations of the local jurisdictions in which the Group operates.

The Group regularly provides internal and external training courses at all levels, including new employees training, professional training, management training, environmental safety training, and corporate core values training, to enable the Group's employees and management to enhance their skills and achieve expertise, as well as to boost their morale.

The social compliance program of the Group's parent company, Pou Chen has been accredited by the FLA, a non-profit organization dedicated to protecting workers' rights around the world, making the Group the first and only FLA-accredited footwear supplier globally. The accreditation recognized the Group's commitment to responsible recruitment aimed at implementing workplace standards globally; implementing a comprehensive system to evaluate and incentivize manufacturing facilities and material suppliers to improve working conditions; investing in a social compliance program, training, and remediation; improving its transparency in remediating labor violations at its production sites and establish multiple grievance channels; and on top of all the programs above, actively participate in FLA's initiatives such as fair compensation project.

## Prospects

While the Group remains optimistic about the long-term prospects of its manufacturing business, the uncertain macroeconomic outlook including persistent inflation and high interest rates, alongside the conservative approaches being seen across the industry will continue to weigh on the order visibility of its manufacturing business in the near term.

The Group will continue to proactively monitor the situation and dynamically allocate its manufacturing capacity to balance demand, its order pipeline and labor supply. The Group will sustain its efficiency and productivity, as well as the highest level of flexibility and agility, by leveraging its core strengths, adaptability and competitive edges to overcome any short-term disruptions and safeguard its profitability, while focusing on cost controls and cash flow management to ensure the healthiness of its liquidity and financial position.

Having adopted a disciplined approach on capital expenditure in the short-term, the Group remains committed to its mid to long-term capacity allocation strategy of diversifying its manufacturing capacity in regions such as Indonesia and India where labor supply and infrastructure are supportive of sustainable growth. It will continue to exploit its strategy of prioritizing value growth, leveraging the 'athleisure' and premiumization trends to seek more high value-added orders with a better product mix.

The Group will continue to pursue its long-term digital transformation strategy aimed towards achieving operational excellence through digital lean management, having continuously rolled out SAP ERP implementation coupled with the implementation of other real-time data applications and remote monitoring systems. It will also continue to proactively adapt its production capacity and capability to cater to the fast-moving market environment and ongoing trends, including increased demand from brand customers for greater versatility, flexibility, eco-friendliness, more efficient turnaround times, on-time delivery and end-to-end capabilities. This includes enabling digital prototyping and production simulations, automation, more flexible set-ups and frequent line change-overs through process re-engineering, and the further integration of other digitalization tools such as increasingly important Operational Control Procedures ("OCP") and Distributed Resource Scheduler ("DRS") to optimize its ongoing eco-intelligent and smart manufacturing strategy.

The Group is optimistically cautious about the recovery momentum in its retail business Pou Sheng continuing into the second half of 2023, with overall top-line recovery being supported by improved foot traffic and purchasing intent although the extent of this will vary month to month due to the uneven impact that control measures had on its retail business in the corresponding periods of 2022. The prospects for the sports industry in mainland China remain bright and Pou Sheng intends to fully leverage this by continuing to pursue its digital transformation, strengthening and diversifying its omni-channels while elevating digitally-enabled physical stores as part of its retail refinement strategy. Pou Sheng will also continue to actively expand its strategic alliance with its brand partners, many of whom are long-term customers of the Group's manufacturing business, strengthening inventory integration, growing memberships and loyalty, increasing in-season sales, and accelerating the sales cycle to ensure better profitability and operating efficiency. The Group will continue to benefit from cross-business synergies while providing differentiated value-added and one-stop services to its customers and strategic partners.

Going forward, the Group remains confident that the above strategies will enable it to continue providing its brand partners with the best possible end-to-end solutions, anchoring its quality growth while safeguarding its solid long-term profitability and ability to deliver sustainable returns to shareholders.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities except that the trustee of the share award scheme of the Company ("Share Award Scheme"), pursuant to the terms of the trust deed of the Share Award Scheme, purchased on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 500,000 shares of the Company ("Shares") at a total consideration of approximately HK$5,524,000 (equivalent to approximately US$704,000).

## SHARE AWARD SCHEME

Reference is made to the annual report of the Company for the year ended December 31, 2022 ("Annual Report") published on the websites of the Stock Exchange and the Company on April 20, 2023. In addition to the disclosures under the sub-section headed "Share Incentive Schemes – (b) Share Award Scheme of the Company" in the "Directors' Report" section from pages 36 to 38 of the Annual Report, the Company would like to provide the following additional information in relation to the Share Award Scheme:

As at March 15, 2023 (being the date of the Annual Report) and the date of this announcement, the total number of Shares available for being further awarded under the Share Award Scheme was 23,726,679 Shares and 21,249,679 Shares respectively, representing 1.47% and 1.32% of the issued Shares as at the date of the Annual Report and the date of this announcement respectively. A consideration of HK$1.00 is payable by the selected participant upon acceptance of the awarded Shares with no specified period which the consideration shall be paid.

The above additional information does not affect other information contained in the Annual Report. Save as disclosed above, all other information in the Annual Report remains unchanged.

## CORPORATE GOVERNANCE

During the Period, the Company has applied the principles of and has complied with all the applicable code provisions of the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the Period. The Company's relevant employees, who are likely to be in possession of unpublished inside information, have been requested to comply with internal guidelines that similar to those terms in the Model Code. No incident of non-compliance by relevant employees was noted for the Period.

## REVIEW OF UNAUDITED INTERIM FINANCIAL REPORT

The audit committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal controls and financial reporting matters including the review of the unaudited condensed consolidated interim financial information.

In addition, the Company's external auditor, Messrs. Deloitte Touche Tohmatsu, has reviewed the condensed consolidated interim financial information for the Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA and an unmodified review report is issued.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, September 14, 2023 to Monday, September 18, 2023, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant Share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, September 13, 2023.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.yueyuen.com) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the Period will be dispatched to shareholders and published on the aforesaid websites in due course.

## ACKNOWLEDGEMENT

I would like to take this opportunity to express our sincere appreciation of the support from our customers, suppliers and shareholders. I would also like to thank my fellow Directors for their valuable contribution and the staff members of the Group for their commitment and dedicated services throughout the Period.

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

Hong Kong, August 11, 2023

*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*