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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yue Yuen Industrial (Holdings) Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF SPECIAL GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



Capitalized terms used in the lower portion of this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 5 to 16 of this circular. A letter from the Independent Board Committee is set out on pages 17 to 18 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 41 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Tuesday, December 5, 2023 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong is set out on pages SGM-1 to SGM-3 in this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event no later than 10:00 a.m. on Sunday, December 3, 2023 (Hong Kong Time), or not less than 48 hours before the time for holding the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

No refreshment or corporate souvenir will be provided at the SGM.

* For identification purpose only

November 10, 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“2022 Annual Report”	the annual report of the Company for the year ended December 31, 2022
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Caps”	the maximum aggregate annual caps for each of the Continuing Connected Transactions under the Supplemental Agreements for the three years ending December 31, 2026
“close associate(s)”	the meaning ascribed thereto in the Listing Rules
“Company”	Yue Yuen Industrial (Holdings) Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	the meaning ascribed thereto in the Listing Rules
“controlling shareholder(s)”	the meaning ascribed thereto in the Listing Rules
“Continuing Connected Transactions”	the transactions carried out under the following agreements: PCC Services Agreement, PCC Connected Sales Agreement and PCC Connected Purchases Agreement
“Director(s)”	director(s) of the Company
“Eagle Nice”	Eagle Nice (International) Holdings Limited (stock code: 2368), a company incorporated under the laws of the Cayman Islands with limited liability and whose ordinary shares are listed on the main board of the Stock Exchange
“Eighth Supplemental PCC Services Agreement”	the agreement dated October 6, 2023 entered into between the Company and PCC supplemental to the PCC Services Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors constituted to make recommendations to the Independent Shareholders in respect of the terms of the Supplemental Agreements, Continuing Connected Transactions and the Caps
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, is the independent financial adviser appointed to advise the Independent Board Committee and Independent Shareholders in relation to the Supplemental Agreements, Continuing Connected Transactions and the Caps
“Independent Shareholders”	the Shareholders other than PCC and its associates who are required to abstain from voting on the resolutions to approve the Supplemental Agreements, Continuing Connected Transactions and the Caps at the SGM
“Latest Practicable Date”	November 2, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NTD”	New Taiwan dollar(s), the lawful currency of Taiwan
“PCC”	Pou Chen Corporation, a company with its shares listed and traded on the Taiwan Stock Exchange Corporation (stock code: 9904) and a controlling shareholder of the Company, which indirectly owns or controls approximately 51.11% of the Company’s issued Shares as at the Latest Practicable Date
“PCC Connected Purchases Agreement”	the agreement dated January 9, 2007 entered into between the Company and PCC for the purchase of raw materials, moulds, shoe-related products and manufacturing equipment and production tools, as amended and supplemented by first supplemental agreement dated November 20, 2008, second supplemental agreement dated August 25, 2011, third supplemental agreement dated September 15, 2014, fourth supplemental agreement dated October 21, 2014, fifth supplemental agreement dated October 13, 2017, sixth supplemental agreement dated October 8, 2020 and Seventh Supplemental PCC Connected Purchases Agreement

DEFINITIONS

“PCC Connected Sales Agreement”	the agreement dated January 9, 2007 entered into between the Company and PCC for the sale of leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provision of consultancy and guidance services to the PCC Group, as amended and supplemented by first supplemental agreement dated November 20, 2008, second supplemental agreement dated August 25, 2011, third supplemental agreement dated September 15, 2014, fourth supplemental agreement dated October 21, 2014, fifth supplemental agreement dated October 13, 2017, sixth supplemental agreement dated October 8, 2020 and Seventh Supplemental PCC Connected Sales Agreement
“PCC Group”	PCC and its subsidiaries and associates other than members of the Group
“PCC Services Agreement”	the services agreement dated February 22, 1997 entered into between the Company and PCC for providing the services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group’s products and general administrative support, as amended and supplemented by first supplemental agreement dated January 9, 2007, second supplemental agreement dated November 20, 2008, third supplemental agreement dated August 25, 2011, fourth supplemental agreement dated September 15, 2014, fifth supplemental agreement dated October 21, 2014, sixth supplemental agreement dated October 13, 2017, seventh supplemental agreement dated October 8, 2020 and Eighth Supplemental PCC Services Agreement
“Pou Sheng”	Pou Sheng International (Holdings) Limited (Stock Code: 3813), an exempted company incorporated under the laws of Bermuda with limited liability and whose ordinary shares are listed on the main board of the Stock Exchange
“Pou Sheng Group”	Pou Sheng and its subsidiaries
“PRC”	The People’s Republic of China
“Seventh Supplemental PCC Connected Purchases Agreement”	the agreement dated October 6, 2023 entered into between the Company and PCC supplemental to the PCC Connected Purchases Agreement
“Seventh Supplemental PCC Connected Sales Agreement”	the agreement dated October 6, 2023 entered into between the Company and PCC supplemental to the PCC Connected Sales Agreement

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on Tuesday, December 5, 2023 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong or any adjournment hereof, notice of which is set out on pages SGM-1 to SGM-3 in this circular
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Agreements”	the respective agreements for the Continuing Connected Transactions in respect of each of the three years ending December 31, 2026, namely Eighth Supplemental PCC Services Agreement, Seventh Supplemental PCC Connected Sales Agreement and Seventh Supplemental PCC Connected Purchases Agreement
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

Unless other specified in this circular, translations of US\$ into HK\$ are made in this circular, for illustration only, at the rate of US\$1.00 to HK\$7.80. No representation is made that any amounts in US\$ or HK\$ could have been or could be converted at that rate or at any other rate.

LETTER FROM THE BOARD



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

Board of Directors:

Executive Directors

Lu Chin Chu (*Chairman*)

Tsai Pei Chun, Patty (*Managing Director*)

Chan Lu Min

Lin Cheng-Tien

Liu George Hong-Chih

Shih Chih-Hung (*Chief Financial Officer*)

Independent Non-executive Directors

Wong Hak Kun

Ho Lai Hong

Lin Shei-Yuan

Yang Ju-Huei

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal place of business

in Hong Kong :

22nd Floor, C-Bons International Center

108 Wai Yip Street

Kwun Tong, Kowloon

Hong Kong

November 10, 2023

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Company's announcement dated October 6, 2023. The Company has on October 6, 2023 (after trading hours) entered into the Supplemental Agreements with PCC to, among other things, renew the Caps and extend the duration for the Continuing Connected Transactions for three years ending December 31, 2026 to ensure business continuation and for compliance with the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further information about the Supplemental Agreements, Continuing Connected Transactions and the Caps; (ii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps; (iii) the recommendations from the Independent Board Committee in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps; and (iv) a notice convening the SGM.

TRANSACTIONS BETWEEN THE PCC GROUP AND THE GROUP

(a) Eighth Supplemental PCC Services Agreement

The signing parties have entered into the Eighth Supplemental PCC Services Agreement to renew the Caps and further extend the duration for three years ending December 31, 2026 and to align the payment period for service fee in respect of products developed by the PCC Group and sold by the Group with other payment periods. Save for the above revisions, all other major terms of the PCC Services Agreement remain unchanged.

A summary of the major terms of the agreement is set out below.

Date

October 6, 2023

Signing parties

The Company and PCC

Major terms

The services agreed upon in the PCC Services Agreement include, inter alia, PCC providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products and general administration support. The services may be provided by or through any member of the PCC Group, but PCC remains fully liable for the provision of these services. The obligations of the Company under the agreement may be performed through other members of the Group but PCC's only recourse under the agreement is to the Company itself.

LETTER FROM THE BOARD

Services fees and payment terms

The Company will pay the following fees to PCC in respect of:

- i. the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, not more than 0.5% of the net invoiced amounts of such products;
- ii. raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, not more than 1% of the merchandise cost invoiced to the PCC Group; and
- iii. raw materials, materials, components, machinery and other goods sourced by the PCC Group on behalf of the Group in Taiwan or overseas whereby purchases are directly handled by the Group, not more than 0.5% of the cost of merchandise invoiced to the Group.

The above service fees will be paid according to the payment term set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date) and if no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The above services fees payable under the agreement are in the ordinary and usual course of business of the Group relating to the use of services provided by PCC and on normal commercial terms.

Reimbursement of costs and expenses and payment terms

The Company is also obliged to reimburse PCC in respect of the following costs and expenses:

- i. in respect of the purchase of raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, the Company will reimburse the cost of merchandise paid by the PCC Group to the suppliers according to the payment term set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date) and if no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date; and
- ii. in respect of all the reasonable expenses and other related costs directly incurred or charged by the PCC Group in the provision of services of research and development, sourcing of raw materials, materials, components, machinery and other goods, marketing, consultancy, recruitment of staff in relation to the production and sale of the Group's products and general administration support, the Company shall pay to PCC, in advance, an amount equivalent to PCC's estimate of the relevant monthly expenses and costs and any differences between such estimate and actual expenses and costs, in respect of which PCC shall render statements of account, shall be settled between PCC and the Company within 45 days after the end of relevant month.

LETTER FROM THE BOARD

Reimbursement of the costs and expenses under the agreement is made on normal commercial terms (i.e. based on the actual costs and expenses incurred) and such costs and expenses are incurred as part of the ordinary and usual course of business of the Group relating to the use of services provided by PCC.

Internal control measures

The Group has implemented and will continue to implement the following procedures over the monitoring of pricing basis of the services received from the PCC Group and reimbursement of costs and expenses:

- i. the sales and costing units of the Group will review the sales and costs invoices to assess whether the invoices qualify for service fees payable to PCC and if so, the pre-agreed service fee percentage is applied to the invoices properly; the sales and costing units of the Group will also review the costs and expenses as submitted by the PCC Group;
- ii. the accounting department of the Group will review the service fees paid to the PCC Group on a quarterly basis to ensure that the amount of service fees is correct according to the PCC Services Agreement; the accounting department of the Group will also review the reimbursement of the costs and expenses incurred by the PCC Group to ensure that any additional balance is settled between the Company and PCC; and
- iii. the Group will periodically gather market information with regard to similar services for its analysis.

(b) Seventh Supplemental PCC Connected Sales Agreement

The signing parties have entered into the Seventh Supplemental PCC Connected Sales Agreement to renew the Caps and to extend the duration for another three years ending December 31, 2026. Save for the above revisions, all other major terms of the PCC Connected Sales Agreement remain unchanged.

A summary of the major terms of the agreement is set out below.

Date

October 6, 2023

Signing parties

The Company and PCC

LETTER FROM THE BOARD

Major terms

Under the PCC Connected Sales Agreement, the PCC Group may place orders or make requests with the Group. The PCC Group is required to specify the terms of purchase in each order or request. The Group is required to manufacture and supply leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provide consultancy and guidance services to the PCC Group as may be ordered/requested by the PCC Group on the terms of each order/request accepted by the Group.

Pricing basis

The selling price for the products supplied and fees for the services provided under the agreement shall be calculated as follows:

- i. for manufacture and supply of leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, the prices shall be on a cost-plus margin and in any event no less favourable to the Group than those made available by the Group to independent third parties. The mark-up rates to be imposed for manufacture and supply of goods under the PCC Connected Sales Agreement is determined by the Group with reference to primarily the costs of labour, materials and other production overheads. In general, the management of the Group reviews and monitors the terms and prices offered to the PCC Group by comparing with the terms and prices offered to independent third parties for comparable products with similar features and quantities, in order to ensure that the terms and prices shall be no less favourable to the Group than those made available by the Group to independent third parties. For manufacture and supply of moulds, the prices shall be set based on standard price lists as agreed with independent third parties for the production of moulds; and
- ii. for provision of consultancy and guidance services, all the reasonable expenses and other related costs directly incurred by the Company (which shall be based on actual amounts incurred) in the provision of consultancy and guidance services, the PCC Group shall pay to the Company an amount equivalent to the Company's estimate of the relevant monthly expenses and costs. Any differences between such estimate and actual expenses and costs shall be adjusted and settled between PCC and the Company in the next invoice.

Internal control measures

The Group has implemented and will continue to implement the following procedures over the monitoring of the pricing basis of the sales and the services to the PCC Group:

- i. for manufacture and supply of leather, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, the sales and costing units of the Group are required to submit costs and transaction records relating to the sale transactions of products with identical or similar features to independent third parties for internal assessment and evaluation by the accounting department of the Group;

LETTER FROM THE BOARD

- ii. for manufacture and supply of moulds, the sales and costing units of the Group will check and approve the prices which are set based on standard price lists as agreed with independent third parties. The accounting department of the Group will periodically check the internal approval documents to ensure the prices are properly approved by the sales and costing units of the Group; and
- iii. the accounting department of the Group will check the correctness of monthly expenses and costs for the provision of consultancy and guidance services under the agreement.

Payment terms

For products supplied, payment shall be made according to the payment terms set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If the payment term is not specified, payment shall be made within 45 days after the end of relevant month of the invoice date.

For services provided, payment shall be made within 45 days after the end of relevant month of the invoice date.

(c) Seventh Supplemental PCC Connected Purchases Agreement

The signing parties have entered into the Seventh Supplemental PCC Connected Purchases Agreement to renew the Caps and to further extend the duration for three years ending December 31, 2026. Save for the above revisions, all other major terms of the PCC Connected Purchases Agreement remain unchanged.

A summary of the major terms of the agreement is set out below.

Date

October 6, 2023

Signing parties

The Company and PCC

Major terms

Under the PCC Connected Purchases Agreement, the Group may place orders for raw materials, shoe-related products, moulds and manufacturing equipment and production tools with the PCC Group. The Group is required to specify the terms of purchase in each order. The PCC Group is required to supply its own products of raw materials, shoe-related products or manufacturing equipment or tools ordered by the Group on the terms of each order accepted by the PCC Group. The Group is free to place an order with any supplier (including independent third parties) that it may choose.

LETTER FROM THE BOARD

Pricing basis

The amount agreed to be charged by the PCC Group shall be calculated as follows:

- i. on terms no less favourable to the Group than those available from independent third parties, the management of the Group will determine the terms by comparing with those offered by independent third parties for products with similar features and quantities; and
- ii. for purchase of products exclusively from the PCC Group, the management of the Group will compare the price and/or gross profit margin offered by the PCC Group to independent third parties on products with similar features to ensure the terms of purchase are no less favourable to the Group.

Internal control measures

The Group has implemented and will continue to implement the following procedures over the monitoring of the pricing basis of the purchase from the PCC Group:

- i. the procurement unit of the Group will obtain quotations which may be in written or oral form from at least two independent third parties for products in similar quantities and features to determine whether the price and terms offered by the PCC Group are fair and reasonable and comparable to those offered by independent third parties. The procurement unit of the Group will then compare the price and payment terms offered by the PCC Group against the quotations offered by independent third parties to ensure the products are charged no less favourable to the Group than those available from independent third parties;
- ii. for purchase of products exclusively from the PCC Group, the procurement unit of the Group will obtain the sales invoices and/or gross profit margin analysis from the PCC Group for products with similar features offered by the PCC Group to independent third parties to determine whether the price and terms offered by the PCC Group are fair and reasonable. The procurement unit of the Group will then compare the price and/or gross profit margin offered by the PCC Group to independent third parties to ensure the products are charged no less favourable to the Group;
- iii. the manager-in-charge of the procurement unit of the Group will approve the purchase from the PCC Group as proposed by the procurement unit after the above comparison and evaluation procedures are made; and
- iv. a monthly report on the purchases from the PCC Group will be submitted to the management for monitoring purposes.

Payment terms

Payment shall be made according to the payment terms as set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date.

LETTER FROM THE BOARD

2. REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Company is an investment holding company. The principal activities of the Group are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products.

PCC is principally engaged in the (i) manufacturing of shoes; (ii) retail of sporting goods and brand licensing business; and (iii) other businesses including real estate development and hotel operation through its subsidiaries.

The Continuing Connected Transactions are advantageous to the Group given the fact that (i) the Group is able to leverage on the PCC Group's abundant experience in the industry, including its extensive business network and its research and development expertise, through the PCC Services Agreements; and (ii) the Group's production efficiency can be enhanced with better utilisation of production capacity through transactions under the PCC Connected Sales Agreements, while manufacturing of certain products of the Group requires materials from the PCC Group through transactions under the PCC Connected Purchases Agreements. Further, the Continuing Connected Transactions have been taking place for a long period of time and are essential for the continued operation and growth of the business of the Group. Without them, the Group would have to conduct these transactions with other business partners. This will involve identifying companies and renegotiating all terms of the transactions. The entering of the Supplemental Agreements will regulate the conduct of the Continuing Connected Transactions and facilitate the ongoing operations of the Group in a flexible and efficient manner.

Accordingly, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) believe that the terms of the Supplemental Agreements (including the Caps) are on normal commercial terms and are fair and reasonable and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

3. HISTORICAL TRANSACTION AMOUNT AND PROPOSED CAPS

Set out below is a summary of (a) the existing caps of the Continuing Connected Transactions for the three years ending December 31, 2023; and (b) the historical amounts of the Continuing Connected Transactions between the Company and PCC in each of the two years ended December 31, 2022 and the eight months ended August 31, 2023 according to the audited consolidated financial statements of the Group for the years ended December 31, 2021 and 2022 as well as the unaudited consolidated accounts of the Group for the eight months ended August 31, 2023:

	Year ended/ending December 31,					
	2021		2022		2023	
	(US\$'000)		(US\$'000)		(US\$'000)	
	Existing caps	Transaction Amount	Existing caps	Transaction Amount	Existing caps	Transaction Amount (from January 1 to August 31)
PCC Services Agreement	409,357	283,729	429,825	297,218	451,316	168,243
PCC Connected Sales Agreement	8,147	4,471	8,480	5,248	8,829	2,573
PCC Connected Purchases Agreement	1,916	1,915	2,012	2,006	2,113	1,489
	<u>419,420</u>	<u>290,115</u>	<u>440,317</u>	<u>304,472</u>	<u>462,258</u>	<u>172,305</u>
Total:	<u>419,420</u>	<u>290,115</u>	<u>440,317</u>	<u>304,472</u>	<u>462,258</u>	<u>172,305</u>

The Caps proposed by the Board for three years ending December 31, 2026 are set out below:

	Year ending December 31,		
	2024	2025	2026
	(US\$'000)	(US\$'000)	(US\$'000)
Eighth Supplemental PCC Services Agreement	374,228	392,940	412,587
Seventh Supplemental PCC Connected Sales Agreement	5,116	5,364	5,623
Seventh Supplemental PCC Connected Purchases Agreement	4,699	5,084	5,283
	<u>384,043</u>	<u>403,388</u>	<u>423,493</u>
Total:	<u>384,043</u>	<u>403,388</u>	<u>423,493</u>

LETTER FROM THE BOARD

Basis of Determination of the Proposed Caps

The Directors have assessed the proposed Caps and have considered the basis of determination of the proposed Caps as follows:

- i. The above proposed Caps for transactions with the PCC Group in respect of the PCC Services Agreement are mainly determined with reference to: (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2023 with the estimated annual growth rate of 15% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2024; (ii) the estimated service fee and cost reimbursement for the year ending December 31, 2024 in relation to the purchase of certain materials, which were purchased from independent third parties for the three years ending December 31, 2023 and are expected to be purchased through the PCC Group from 2024; (iii) estimated annual growth rate of 5% for the two years ending December 31, 2026; (iv) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (take into account the historical exchange rate fluctuation between NTD and US\$ in 2021 to 2023); and (v) a buffer of 3% for unforeseeable circumstances.
- ii. The above proposed Caps for transactions with the PCC Group in respect of PCC Connected Sales Agreement are mainly determined with reference to: (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2023 with the estimated annual growth rate of 15% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2024 and 5% for the two years ending December 31, 2026 for sale of products; (ii) the annualized amount of the historical transaction amount for the eight months ended August 31, 2023 with the estimated annual growth rate of 3% for the three years ending December 31, 2026 (take into account historical changes on salary in Taiwan) for provision of services; (iii) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (take into account the historical exchange rate fluctuation between NTD and US\$ in 2021 to 2023); and (iv) a buffer of 3% for unforeseeable circumstances.
- iii. The above proposed Caps for transactions with the PCC Group in respect of the PCC Purchases Agreement are mainly determined with reference to (i) the annualized amount of the historical transaction amount for the eight months ended August 31, 2023 with the estimated annual growth rate of 15% (with reference to the expected revenue growth rate among the peers in footwear manufacturing industry) for the year ending December 31, 2024; (ii) the amount of estimated purchase orders of the customers; (iii) estimated annual growth rate of 5% for the two years ending December 31, 2026; (iv) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (take into account the historical exchange rate fluctuation between NTD and US\$ in 2021 to 2023); and (v) a buffer of 3% for unforeseeable circumstances.

LETTER FROM THE BOARD

Under Rule 14A.82 of the Listing Rules, the Continuing Connected Transactions have been aggregated and have not been considered on an individual agreement basis for the purposes of ascertaining the disclosure and independent shareholders' approval requirements under the Listing Rules. For the purpose of continuing compliance with the Listing Rules, each of these Continuing Connected Transactions will be subject to their respective annual caps. The consideration under each of the Continuing Connected Transactions has been and will be satisfied from internal resources of the Group.

4. GENERAL

An Independent Board Committee has been constituted to make a recommendation to the Independent Shareholders in respect of the resolutions to approve the Supplemental Agreements, Continuing Connected Transactions and the Caps. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the terms of the Supplemental Agreements, (including the Caps) are on normal commercial terms and are fair and reasonable and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

The SGM will be held on Tuesday, December 5, 2023 for the purpose of, among other things, obtaining approval from the Independent Shareholders in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps.

As at the Latest Practicable Date, PCC indirectly owns and is entitled to exercise control of 51.11% of the voting rights in respect of the issued Shares and is hence a connected person of the Company as defined under the Listing Rules. In accordance with the Listing Rules, any connected person and any Shareholder and their respective associates with a material interest in the Continuing Connected Transactions will not vote on the resolutions in respect of the Continuing Connected Transactions. PCC and its associates will abstain from voting on the resolutions to approve the relevant Supplemental Agreements, Continuing Connected Transactions and the Caps at the SGM. As at the Latest Practicable Date, the trustee of the share award scheme (adopted by the Board on January 28, 2014) held 13,000 Shares, and will not exercise the voting rights at the SGM in respect of those Shares held under the trust. Save as disclosed above, so far as the Directors are aware, as at the Latest Practicable Date, no Shareholder will be required to abstain from voting under the Listing Rules in respect of any of the resolution to be proposed at the SGM.

None of the Directors have any material interest in the Continuing Connected Transactions and no Directors were required to abstain from voting on the Board resolutions of approving the Continuing Connected Transactions.

LETTER FROM THE BOARD

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the SGM will therefore demand voting on the resolutions set out in the notice of the SGM be taken by way of poll.

Pursuant to Bye-law 66(1) of the Bye-laws, on a poll, every Shareholder present in person or by proxy shall have one vote for every fully paid Share held. A Shareholder entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

After the conclusion of the SGM, the poll results will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.yueyuen.com>) in the manner prescribed under Rules 13.39(5) and 13.39(5A) of the Listing Rules.

5. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend and vote at the SGM to be held on Tuesday, December 5, 2023 at 10:00 a.m. (and at any adjournment thereof), the register of members of the Company will be closed from Wednesday, November 29, 2023 to Tuesday, December 5, 2023, both dates inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the SGM, all transfers, accompanied by the relevant share certificates must be lodged with the Company's branch share registrar 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 Tuesday, November 28, 2023. The record date for the entitlement to attend and vote at the SGM will be on Wednesday, November 29, 2023.

6. RECOMMENDATIONS

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that the terms of the Supplemental Agreements (including the Caps) are on normal commercial terms and are fair and reasonable and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of all resolutions to be proposed at the SGM in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps.

7. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendix to this circular.

Yours faithfully,
For and on behalf of
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee, which has been prepared for the purpose of incorporation into this circular, setting out its opinion and recommendation to the Independent Shareholders in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps.



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

November 10, 2023

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders of Yue Yuen Industrial (Holdings) Limited in respect of the resolutions to approve the Supplemental Agreements, Continuing Connected Transactions and the Caps, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated November 10, 2023 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the “Letter from the Board” and to the advice of Somerley Capital Limited in its capacity as the Independent Financial Adviser in respect of whether the terms of the Supplemental Agreements (including the Caps) are on normal commercial terms and are fair and reasonable and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole, as set out in the “Letter from Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice given by the Independent Financial Adviser, in particular the principal factors and reasons as stated in its letter, we consider that (i) the terms of the Supplemental Agreements (including the Caps) are fair and reasonable and the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable to members of the Group than terms available to or from independent third parties. Accordingly, we recommend you to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Supplemental Agreements, Continuing Connected Transactions and the Caps.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Wong Hak Kun

Ho Lai Hong

Lin Shei-Yuan

Yang Ju-Huei

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

November 10, 2023

To: *the independent board committee and the independent shareholders*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee and the independent shareholders of Yue Yuen Industrial (Holdings) Limited (the "**Company**") in relation to the renewal of certain continuing connected transactions (the "**Continuing Connected Transactions**"). Details of the Continuing Connected Transactions are set out in the "Letter from the Board" (the "**Board Letter**") contained in the circular of the Company dated November 10, 2023 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

The Continuing Connected Transactions have been taking place for a long period of time in the ordinary and usual course of business of the Group. As the existing caps in respect of the Continuing Connected Transactions will expire on December 31, 2023, the Company has, on October 6, 2023 (after trading hours), entered into the Supplemental Agreements with PCC to, among other things, renew the Caps and extend the term for the Continuing Connected Transactions for three years ending December 31, 2026.

With reference to the Board Letter, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company and are subject to the announcement, reporting, annual review requirements and Independent Shareholders' approval under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Hak Kun, Mr. Ho Lai Hong, Mr. Lin Shei-Yuan and Dr. Yang Ju-Huei, has been established to advise the Independent Shareholders in relation to the Continuing Connected Transactions. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard (the "**Engagement**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years immediately preceding the Latest Practicable Date, there have been no other engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and PCC Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the Engagement. During the past two years immediately preceding the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with the Engagement, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the “**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or PCC Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with respect to the Continuing Connected Transactions, we have taken into account the principal factors and reasons set out below.

1. Background of the Group and the Continuing Connected Transactions

With reference to the 2022 Annual Report, the Group is engaged in two main businesses focusing on (i) manufacturing and sales of footwear products; and (ii) retail and distribution of sportswear and footwear products. The major products of the Group’s manufacturing business include athletic/outdoor shoes, casual shoes, sports sandals, soles and components. Retail sales mainly involve sale of shoes and apparel products.

With reference to the Board Letter, PCC is principally engaged in the (i) manufacturing of shoes; (ii) retail of sporting goods and brand licensing business; and (iii) other businesses including real estate development and hotel operation through its subsidiaries.

The Group and the PCC Group have been conducting the Continuing Connected Transactions for a long period of time. The PCC Services Agreement was entered into in 1997, while the PCC Connected Sales Agreement and the PCC Connected Purchases Agreement were entered into in 2007.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A summary of the Continuing Connected Transactions is set out below:

(i) *PCC Services Agreement*

Under the PCC Services Agreement, PCC Group agreed to provide members of the Group with services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products and general administration support (the "**PCC Services Transactions**").

(ii) *PCC Connected Sales Agreement*

Under the PCC Connected Sales Agreement, members of the Group agreed to sell leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provide consultancy and guidance services to the PCC Group (the "**PCC Connected Sales Transactions**").

(iii) *PCC Connected Purchases Agreement*

Under the PCC Connected Purchases Agreement, members of the Group agreed to purchase from the PCC Group raw materials, moulds, shoe-related products and manufacturing equipment and production tools (the "**PCC Connected Purchases Transactions**").

2. **Reasons for and benefits of the Continuing Connected Transactions**

In the ordinary and usual course of its business, the Group has been carrying out the Continuing Connected Transactions with the PCC Group, subject to the annual caps and the terms as specified in the respective agreements.

The Management considers that the Continuing Connected Transactions are advantageous to the Group given the fact that (i) the Group is able to leverage on the PCC Group's abundant experience in the industry, including its extensive business network and its research and development expertise, through the PCC Services Agreements; and (ii) the Group's production efficiency can be enhanced with better utilisation of production capacity through transactions under the PCC Connected Sales Agreements, while manufacturing of certain products of the Group requires materials from the PCC Group through transactions under the PCC Connected Purchases Agreements.

Moreover, the Continuing Connected Transactions have been taking place for a long period of time on an ongoing basis as part of the ordinary business operation of the Group. Without them, the Group would have to identify new business partners and renegotiate all terms and conditions in order to continue such transactions and ensure a smooth operation of the Group's business. One of the purposes of conducting the Continuing Connected Transactions is to facilitate the Group in running its business in a flexible and efficient manner. In order to regulate the conduct of the Continuing

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Connected Transactions beyond 2023 and therefore facilitate the ongoing operations of the Group, the Group has, on October 6, 2023, entered into various Supplemental Agreements to extend the Continuing Connected Transactions for a term of three years commencing from January 1, 2024 and ending on December 31, 2026.

Having considered the background of the Continuing Connected Transactions and the reasons for and benefits of the Continuing Connected Transactions above, we concur with the Directors that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Continuing Connected Transactions

A. Eighth Supplemental PCC Services Agreement

The signing parties have entered into the Eighth Supplemental PCC Services Agreement to renew the Caps and further extend the duration for three years ending December 31, 2026 and to align the payment period for service fee in respect of products developed by the PCC Group and sold by the Group with other payment periods. Save for the above revisions, all other major terms of the PCC Services Agreement remain unchanged.

Set out below are the principal terms of the PCC Services Agreements as extracted from the sub-section headed "Eighth Supplemental PCC Services Agreement" under the section headed "TRANSACTIONS BETWEEN THE PCC GROUP AND THE GROUP" of the Board Letter:

Signing parties

The Company and PCC

Major terms

The services agreed upon in the PCC Services Agreement include, inter alia, PCC providing services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the Group's products and general administration support. The services may be provided by or through any member of the PCC Group, but PCC remains fully liable for the provision of these services. The obligations of the Company under the agreement may be performed through other members of the Group but PCC's only recourse under the agreement is to the Company itself.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services fees and payment terms

The Company will pay the following fees to PCC in respect of:

- (i) the Group's products developed through the research and development, know-how and technical services provided by the PCC Group and sold by the Group, not more than 0.5% of the net invoiced amounts of such products ("**R&D Services Fee**");
- (ii) raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, not more than 1% of the merchandise cost invoiced to the PCC Group ("**Procurement Services Fee I**"); and
- (iii) raw materials, materials, components, machinery and other goods sourced by the PCC Group on behalf of the Group in Taiwan or overseas whereby purchases are directly handled by the Group, not more than 0.5% of the cost of merchandise invoiced to the Group ("**Procurement Services Fee II**").

The above service fees will be paid according to the payment term set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date) and if no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date. The above services fees payable under the agreement are in the ordinary and usual course of business of the Group relating to the use of services provided by PCC and on normal commercial terms.

Reimbursement of costs and expenses and payment terms

The Company is also obliged to reimburse PCC in respect of the following costs and expenses:

- (i) in respect of the purchase of raw materials, materials, components, machinery and other goods purchased by shipment arranged for and inspected by the PCC Group on behalf of the Group from within Taiwan, the Company will reimburse the cost of merchandise paid by the PCC Group to the suppliers according to the payment term set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date) and if no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) in respect of all the reasonable expenses and other related costs directly incurred or charged by the PCC Group in the provision of services of research and development, sourcing of raw materials, materials, components, machinery and other goods, marketing, consultancy, recruitment of staff in relation to the production and sale of the Group's products and general administration support, the Company shall pay to PCC, in advance, an amount equivalent to PCC's estimate of the relevant monthly expenses and costs and any differences between such estimate and actual expenses and costs, in respect of which PCC shall render statements of account, shall be settled between PCC and the Company within 45 days after the end of relevant month.

Reimbursement of the costs and expenses under the agreement is made on normal commercial terms (i.e. based on the actual costs and expenses incurred).

Our assessment:

- (a) R&D Services Fee

As advised by the Management, the Group and relevant footwear brand(s) will have discussions and agree on the specifications and requirements of the products to be manufactured by the Group, and the PCC Group will help in the research and development work, provide know-how and technical services in the design and composition of some of the footwear products based on the requirements and specifications raised by relevant brand(s) (the "**R&D Services**"). The R&D Services provided by PCC Group are highly specific based on the specifications and requirements of the products to be manufactured by Group and there were no comparable services provided by independent third parties.

For our due diligence purpose, we have conducted a search, on a best effort basis, to identify companies listed on the Stock Exchange (the "**Comparable Companies**") which, based on the industry classification function within the Bloomberg terminal, are principally engaged in apparel, footwear and accessories design businesses. As mentioned above, the Group utilises the PCC Group's research and development expertise, including its know-how and technical services, in the design and composition of some of the footwear products for manufacturing purpose, and therefore it is considered that the services provided by the PCC Group is similar to the use of licensed technology/know-how/services (i.e. licensing services). As such, for comparison purposes, we have made reference to other contractual agreements identified, on a best effort basis, in relation to the provision of research and development services and/or licensing services by one party to another during 2021 to 2023 (the "**Relevant Period**"), being the existing term of the Continuing Connected Transactions, involving the Comparable Companies (the "**R&D Comparable Transaction(s)**"). The R&D Comparable Transaction set out in the table below represents an exhaustive result of our search based on the aforesaid criteria:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	Parties	Nature of transaction	Pricing basis
1	Crystal International Group Limited (“ Crystal International ”) (stock code: 2232) and Masterknit Limited (“ Masterknit ”)	Provision of services including, among others, IT system support, data processing, analysis, general administrative services, human resource support, research and development and logistics by members of the Crystal International group to Masterknit	Costs related to the services plus a fixed margin rate of 12% on the costs related to the services

Source: The R&D Comparable Transaction(s) is/are identified from the annual reports of the respective company(ies) with financial year end within the Relevant Period as published on the website of the Stock Exchange

In respect of the transaction between Crystal International and Masterknit, the pricing basis is based on costs of providing the relevant services, which is different from that of the R&D Services Fee. For illustrative and comparison purposes only, we have calculated the implied service fee margin for the services on a percentage to revenue basis with reference to the gross profit margin of Crystal International as disclosed in the 2022 annual report, which resulted in an implied service fee of approximately 9.8% of its revenue. The R&D Services Fee (of no more than 0.5% of the net invoiced amounts of products) is lower than the implied service fee of the R&D Comparable Transaction.

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(b) Procurement Services Fee I and Procurement Services Fee II

For our due diligence purpose, we have made reference to other contractual agreements identified, on a best effort basis, in relation to the provision of procurement services by one party to another involving the Comparable Companies (the “**Procurement Comparable Transaction(s)**”), during the Relevant Period. The Procurement Comparable Transaction set out in the table below represents an exhaustive result of our search based on the above criteria:

Parties	Nature of transaction	Pricing basis
1 Time Watch Investments Limited (“ Time Watch ”) (stock code: 2033) and ILG of Switzerland Ltd (the “ ILG ”)	Provision of export and import services of multi-brand watches and/or accessories by members of the Time Watch group to members of ILG group	The higher of (i) 2.5% of the selling price, and (ii) HK\$16,000

Source: The Procurement Comparable Transaction(s) is/are identified from the annual reports of the respective company(ies) with financial year end within the Relevant Period as published on the website of the Stock Exchange

As shown in the table above, the service fee for the Procurement Comparable Transaction is charged on the basis of mark-ups on the procurement price. The fee to be charged by the PCC Group for the purchasing and sourcing services to the Group is lower than that of the Procurement Comparable Transaction of 2.5% mark-ups on procurement price.

(c) Reimbursement of costs and expenses

As mentioned earlier, the reimbursement of costs and expenses under the agreement is made on normal commercial terms (i.e. based on the actual costs and expenses incurred). For our due diligence purpose, we have obtained (i) invoices issued by PCC to members of the Group in relation to the reimbursement of costs and expenses and (ii) breakdown of relevant costs and expenses incurred by PCC Group in relation to the Group during the Relevant Period (i.e. one set of invoice and related breakdown was obtained in each year). We noted from documents that the reimbursement amounts as set out in the invoices were in line with the costs and expenses incurred by PCC Group in relation to the relevant company according to the breakdown obtained.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, we noted that the Group has implemented and will continue to implement certain internal control measures to monitor pricing basis of the services received from the PCC Group and reimbursement of costs and expenses. Such internal control measures include, among others, review of the sales and costs invoices by the sales and costing units, and review of the service fee and reimbursement of the costs and expenses by the accounting department. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the PCC Services Transactions.

With reference to the 2021 and 2022 annual reports of the Company, the independent non-executive Directors have reviewed the continuing connected transactions of the Group during each of the two years ended December 31, 2021 and 2022, including, among other things, the PCC Services Transactions, the PCC Connected Sales Transactions and the PCC Connected Purchases Transactions, and confirmed that the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and according to the agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the “**INED’s Confirmation**”).

The Company’s auditor has also performed a review of the continuing connected transactions of the Group, including, among other things, the PCC Services Transactions, the PCC Connected Sales Transactions and the PCC Connected Purchases Transactions for each of the two years ended December 31, 2021 and 2022. We noted from the 2021 and 2022 annual reports of the Company that the auditor was engaged to report in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, and with reference to Practice Note 740 Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued the unqualified letter containing the findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules (the “**Auditor’s Confirmation**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) our review of the PCC Services Transactions; (ii) the internal control measures to monitor the pricing basis of the PCC Services Transactions; (iii) the INED's Confirmation; and (iv) the Auditor's Confirmation, we are of the view that the terms of the PCC Services Transactions are on normal commercial terms and are fair and reasonable.

B. Seventh Supplemental PCC Connected Sales Agreement

The signing parties have entered into the Seventh Supplemental PCC Connected Sales Agreement to renew the Caps and to extend the duration for another three years ending December 31, 2026. Save for the above revisions, all other major terms of the PCC Connected Sales Agreement remain unchanged.

Set out below are the principal terms of the PCC Connected Sales Agreement as extracted from the sub-section headed "Seventh Supplemental PCC Connected Sales Agreement" under the section headed "TRANSACTIONS BETWEEN THE PCC GROUP AND THE GROUP" of the Board Letter:

Signing parties

The Company and PCC

Major terms

Under the PCC Connected Sales Agreement, the PCC Group may place orders or make requests with the Group. The PCC Group is required to specify the terms of purchase in each order or request. The Group is required to manufacture and supply leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools and provide consultancy and guidance services to the PCC Group as may be ordered/requested by the PCC Group on the terms of each order/request accepted by the Group.

Pricing basis and payment terms

The selling price for the products supplied and fees for the services provided under the agreement shall be calculated as follows:

- (i) for manufacture and supply of leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools, the prices shall be on a cost-plus margin and in any event no less favourable to the Group than those made available by the Group to independent third parties. The mark-up rates to be imposed for manufacture and supply of goods under the PCC Connected Sales Agreement is determined by the Group with reference to primarily the costs of labour, materials and other production overheads. In general, the management of the Group reviews and monitors the terms and prices offered to the PCC Group by comparing with the terms and prices offered to independent third parties

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for comparable products with similar features and quantities, in order to ensure that the terms and prices shall be no less favourable to the Group than those made available by the Group to independent third parties. For manufacture and supply of moulds, the prices shall be set based on standard price lists as agreed with independent third parties for the production of moulds; and

- (ii) for provision of consultancy and guidance services, all the reasonable expenses and other related costs directly incurred by the Company (which shall be based on actual amounts incurred) in the provision of consultancy and guidance services, the PCC Group shall pay to the Company an amount equivalent to the Company's estimate of the relevant monthly expenses and costs. Any differences between such estimate and actual expenses and costs shall be adjusted and settled between PCC and the Company in the next invoice.

For products supplied, payment shall be made according to the payment terms set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If the payment term is not specified, payment shall be made within 45 days after the end of relevant month of the invoice date.

For services provided, payment shall be made within 45 days after the end of relevant month of the invoice date.

Our assessment:

For our due diligence purpose, we have obtained (i) invoices in relation to the sale of products (1) by the Group to PCC Group and (2) by the Group to independent third parties and (ii) relevant information in relation to the gross profit margins charged by Group to PCC Group and the relevant independent third parties during the Relevant Period (i.e. one invoice for sale to PCC Group, one invoice for sale to independent third parties and related gross profit margins information were obtained in each year). We noted from such documents that the percentage gross profit margins charged by the Group to PCC Group were higher than those charged to independent third parties for the same product.

As advised by the Management, the consultancy and guidance services are related to the development, implementation, operation and maintenance of an enterprise resource planning software (the "SAP System") used by the Group and the PCC Group. The Group and the PCC Group have been developing the SAP System, which is being implemented by stages. The Group has set up a team of staff responsible for the implementation of the SAP System and started to provide consultancy and guidance services to the PCC Group in 2019. The costs and expenses charged are actual amounts incurred by the Group in providing such services. Given the nature of such services, there were no comparable consultancy and guidance services provide by the Group to independent third parties during the Relevant Period. For our due diligence purpose, we have obtained (i) invoices issued by the Group to PCC Group and (ii) breakdown of relevant costs and expenses incurred by Group in relation to the provision of services during the Relevant Period (i.e. one set of invoice and related breakdown was obtained in each year). We noted from such documents that the service fees charged by the Group to PCC Group were based on the costs and expenses incurred for the relevant months.

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With reference to the Board Letter, we noted that the Group has implemented and will continue to implement certain internal control measures to monitor pricing basis of the sales and the services to the PCC Group. Such internal control measures include, among others, submission of costs and transaction records relating to identical or similar sale transactions by the sales and costing units for internal assessment and evaluation by the accounting department (for manufacture and supply of leather, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools), and checking and approval of prices which are set based on standard price lists by the sales and costing units (for manufacture and supply of moulds). We consider the effective implementation of such internal control measures would help to ensure fair pricing of the PCC Connected Sales Transactions.

Taking into account (i) our review of the PCC Connected Sales Transactions; (ii) the internal control measures to monitor the pricing basis of the PCC Connected Sales Transactions; (iii) the INED's Confirmation; and (iv) the Auditor's Confirmation, we are of the view that the terms of the PCC Connected Sales Transactions are on normal commercial terms and are fair and reasonable.

C. Seventh Supplemental PCC Connected Purchases Agreement

The signing parties have entered into the Seventh Supplemental PCC Connected Purchases Agreement to renew the Caps and to further extend the duration for three years ending December 31, 2026. Save for the above revisions, all other major terms of the PCC Connected Purchases Agreement remain unchanged.

Set out below are the principal terms of the PCC Connected Purchases Agreement as extracted from the sub-section headed "Seventh Supplemental PCC Connected Purchases Agreement" under the section headed "TRANSACTIONS BETWEEN THE PCC GROUP AND THE GROUP" of the Board Letter:

Signing parties

The Company and PCC

Major terms

Under the PCC Connected Purchases Agreement, the Group may place orders for raw materials, shoe-related products, moulds and manufacturing equipment and production tools with the PCC Group. The Group is required to specify the terms of purchase in each order. The PCC Group is required to supply its own products of raw materials, shoe-related products or manufacturing equipment or tools ordered by the Group on the terms of each order accepted by the PCC Group. The Group is free to place an order with any supplier (including independent third parties) that it may choose.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing basis and payment terms

The amount agreed to be charged by the PCC Group shall be calculated as follows:

- (i) on terms no less favourable to the Group than those available from independent third parties, the management of the Group will determine the terms by comparing with those offered by independent third parties for products with similar features and quantities; and
- (ii) for purchase of products exclusively from the PCC Group, the management of the Group will compare the price and/or gross profit margin offered by the PCC Group to independent third parties on products with similar features to ensure the terms of purchase are no less favourable to the Group.

Payment shall be made according to the payment terms as set out in the individual contract/order (in general, within 30 days to 45 days after the end of relevant month of the invoice date). If no payment term is specified, payment shall be made within 45 days after the end of relevant month of the invoice date.

Our assessment:

As advised by the Management, the products purchased by the Group under the PCC Connected Purchases Transactions during the Relevant Period were all exclusive products of PCC Group (i.e. such products were not available from other independent third parties). For our due diligence purpose, we have obtained (i) invoices in relation to the purchase of products exclusively from the PCC Group by the Group and (ii) information in relation to the gross profit margins charged by PCC Group to the Group and two other independent third parties during the Relevant Period (i.e. one set of invoice and related gross profit margins information was obtained in each year). We noted from such documents that the percentage gross profit margins charged by PCC Group to Group were lower than those charged to independent third parties for the same product.

With reference to the Board Letter, we noted that the Group has implemented and will continue to implement certain internal control measures to monitor pricing basis of the purchase from the PCC Group. Such internal control measures include, among others, obtainment of quotations for products in similar quantities and features by the procurement unit, and for purchase of products exclusively from the PCC Group, obtainment of the sales invoices and/or gross profit margin analysis from the PCC Group for products with similar features sold to independent third parties by the procurement unit. We consider the effective implementation of such internal control measures would help to ensure fair pricing of the PCC Connected Purchases Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account (i) our review of the PCC Connected Purchases Transactions; (ii) the internal control measures to monitor the pricing basis of the PCC Connected Purchases Transactions; (iii) the INED’s Confirmation; and (iv) the Auditor’s Confirmation, we are of the view that the terms of the PCC Connected Purchases Transactions are on normal commercial terms and are fair and reasonable.

4. The Caps

A. PCC Services Transactions

Set out below are (i) the existing annual caps for each of the three years ended December 31, 2021, 2022 and 2023; (ii) the historical transaction amount for each of the two years ended December 31, 2021 and 2022 and the eight months ended August 31, 2023; and (iii) the proposed annual caps for each of the three years ending December 31, 2024, 2025 and 2026 (the “PCC Services Cap(s)”) as extracted from the Board Letter:

	For the year ended December 31,		
	2021	2022	2023
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Existing annual caps	409,357	429,825	451,316
Historical transaction amount	283,729	297,218	168,243
			<i>(note)</i>

	For the year ending December 31,		
	2024	2025	2026
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
PCC Services Caps	374,228	392,940	412,587

Note: for the eight months ended August 31, 2023

For our due diligence purpose, we have obtained a calculation of the PCC Services Caps. We noted that the PCC Services Caps consist of three components, namely the service fee component, the cost reimbursement component and the expenses reimbursement component.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) The service fee component

For the service fee component, we noted that the proposed annual cap for 2024 is determined by (a) the estimated service fee based on existing transaction amount, which is determined based on (1) the estimated service fee for 2023, being the annualized amount of the historical transaction amount for the eight months ended August 31, 2023; and (2) the estimated annual growth of 15% (the “**2024 Growth Rate**”); (b) the estimated service fee in relation to the purchase of certain materials, which were purchased from independent third parties and are expected to be purchased through PCC Group from 2024 (the “**New PCC Group Purchase**”); (c) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (the “**Exchange Rate Buffer**”); and (d) a buffer of 3% for unforeseeable circumstances.

In determining the estimated service fee (based on existing transaction amount) for 2024, the Management has applied an estimated growth rate (i.e. the 2024 Growth Rate) on the annualized historical transaction amount for 2023. As advised by the Management, the 2024 Growth Rate was determined based on the estimated revenue growth of the industry. For our due diligence purpose, we have conducted a search, on a best effort basis, to identify international footwear brand listed companies based on industry classification function on Bloomberg terminal (i.e. companies principally engaged in the apparel, footwear and accessories design business and with a market capitalization of at least US\$5,000 million). Based on the information of Bloomberg terminal, we noted that the average year-on-year revenue growth of the aforesaid footwear brand companies was approximately 27% during the latest financial year, while the average year-on-year growth rate is expected to be approximately 13% during the upcoming financial year. Accordingly, we consider that the 2024 Growth Rate is justifiable (“**Our View on the 2024 Growth Rate**”).

In relation to the New PCC Group Purchase, as advised by the Management, based on the Company’s assessment of the procurement plan and demand from customers and the communication with PCC Group, the Management expected that certain materials, which were purchased from independent third parties during the Relevant Period, would be purchased through PCC Group during 2024 to 2026. As such, in determining the New PCC Group Purchase for 2024, the Management took into account the historical transaction amount of relevant materials purchase from independent third parties during the Relevant Period. We noted from the calculation that (i) the New PCC Group Purchase is based on the average of the relevant purchase amount from independent third parties during the Relevant Period (i.e. based on the historical purchase amount for 2021, 2022 and the eight months ended August 31, 2023, and the estimated purchase amount for the four months ending December 31, 2023 based on confirmed order) (“**Our Findings on the New PCC Group Purchase**”); and (ii) the estimated service fee was determined based on the New PCC Group Purchase amount, and the service fee rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given that majority of the Continuing Connected Transactions are denominated in NTD, while the PCC Services Caps are presented in US\$. In determining the Caps, the Management has considered the impact of exchange rate fluctuation of NTD against US\$ and has applied the Exchange Rate Buffer in the estimation. In relation to the Exchange Rate Buffer, we have reviewed the NTD closing spot rate (against US\$) from 2021 up to October 6, 2023, being the date of the Supplemental Agreements, on Bloomberg terminal. We noted that the spot rate fluctuation, being the highest spot rate divided by the lowest spot rate during the year, was approximately 4%, 17% and 9% in 2021, 2022 and 2023 (up to October 6, 2023) respectively. In view of the aforesaid exchange rate fluctuation of NTD against US\$, we also consider that the Exchange Rate Buffer is justifiable (“**Our View on the Exchange Rate Buffer**”).

In determining the PCC Services Caps, the Company has also applied a buffer of 3%. Having considered that such buffer was applied for unforeseeable circumstances such as the unpredictable increase in demand from the Group (including the increase in customer order and material price), we consider that the buffer of 3% to be justifiable.

Having considered the above, we are of the view that the service fee component for 2024 is fair and reasonable.

In relation to the service fee component in 2025 and 2026, we noted that the Company has applied an annual growth rate of 5%. Having considered that such annual growth rate caters for any potential increase in demand from the Group, we consider that the annual growth rate of 5% to be justifiable.

In light of the above, we consider that service fee component of the PCC Services Caps is fair and reasonable.

(ii) The cost reimbursement component

For the cost reimbursement component, we noted that the proposed annual cap for 2024 is determined by (a) the estimated cost reimbursement based on existing transaction amount, which is determined based on (1) the estimated cost reimbursement amount for 2023, being the annualized amount of the historical transaction amount for the eight months ended August 31, 2023; and (2) the estimated annual growth of 15% (i.e. the 2024 Growth Rate); (b) the cost reimbursement in relation to the New PCC Group Purchase; (c) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (i.e. the Exchange Rate Buffer); and (d) a buffer of 3% for unforeseeable circumstances. Having considered Our View on the 2024 Growth Rate, Our View on the Exchange Rate Buffer, Our Findings on the New PCC Group Purchase and that the buffer of 3% was applied for unforeseeable circumstances such as the unpredictable increase in demand from the Group (including the increase in customer order and material price), we consider that the cost reimbursement component for 2024 is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to the cost reimbursement component in 2025 and 2026, we noted that the Company has applied an annual growth rate of 5%. Having considered that such annual growth rate caters for any potential increase in demand from the Group, we consider that the annual growth rate of 5% to be justifiable.

In light of the above, we consider that cost reimbursement component of the PCC Services Caps is fair and reasonable.

(iii) The expenses reimbursement component

For the expenses reimbursement component, we noted that the proposed annual cap for 2024 is determined by (a) the estimated expenses reimbursement for 2023, being the annualized amount of the historical transaction amount for the eight months ended August 31, 2023; (b) the estimated annual growth of 15% (i.e. the 2024 Growth Rate); (c) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (i.e. the Exchange Rate Buffer); and (d) a buffer of 3% for unforeseeable circumstances. As advised by the Management, the expenses reimbursement is based on expenses incurred by PCC Group in relation to the provision of services to the Group and is not materially affected by the fluctuation of purchase amount. In determining the expenses reimbursement component, the Management has not specifically considered the impact of the New PCC Group Purchase. Having considered Our View on the 2024 Growth Rate, Our View on the Exchange Rate Buffer and that the buffer of 3% was applied for unforeseeable circumstances such as the unpredictable increase in demand from the Group and cost of operation of PCC Group, we consider that the expenses reimbursement component for 2024 is fair and reasonable.

In relation to the expenses reimbursement component in 2025 and 2026, we noted that the Company has applied an annual growth rate of 5%. Having considered that such annual growth rate caters for any potential increase in demand from the Group, we consider that the annual growth rate of 5% to be justifiable.

In light of the above, we consider that expenses reimbursement component of the PCC Services Caps is fair and reasonable.

Taking into account the above, we consider that of the PCC Services Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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B. PCC Connected Sales Transactions

Set out below are (i) the existing annual caps for each of the three years ended December 31, 2021, 2022 and 2023; (ii) the historical transaction amount for each of the two years ended December 31, 2021 and 2022 and the eight months ended August 31, 2023; and (iii) the proposed annual caps for each of the three years ending December 31, 2024, 2025 and 2026 (the “PCC Connected Sales Caps”) as extracted from the Board Letter:

	For the year ended December 31,		
	2021	2022	2023
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Existing annual caps	8,147	8,480	8,829
Historical transaction amount	4,471	5,248	2,573 <i>(note)</i>
	For the year ending December 31,		
	2024	2025	2026
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
PCC Connected Sales Caps	5,116	5,364	5,623

Note: for the eight months ended August 31, 2023

For our due diligence purpose, we have obtained a calculation of the PCC Connected Sales Caps. We noted that the PCC Connected Sales Caps consist of two components, namely the sale of products component and the provision of services component.

(i) The sale of products component

For the sale of products component, we noted that the proposed annual cap for 2024 is determined by (a) the estimated transaction amount for 2023, being the annualized amount of the historical transaction amount for the eight months ended August 31, 2023; (b) the estimated annual growth of 15% (i.e. the 2024 Growth Rate); (c) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (i.e. the Exchange Rate Buffer); and (d) a buffer of 3% for unforeseeable circumstances. Having considered Our View on the 2024 Growth Rate, Our View on the Exchange Rate Buffer, and that the buffer of 3% was applied was applied for unforeseeable circumstances such as the unpredictable increase in demand from the PCC Group and increase in cost of materials, we consider that the sale of products component for 2024 is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to the sale of products component in 2025 and 2026, we noted that the Company has applied an annual growth rate of 5%. Having considered that such annual growth rate caters for any potential increase in demand from the PCC Group, we consider that the annual growth rate of 5% to be justifiable.

In light of the above, we consider that the sale of products component of the PCC Connected Sales Caps is fair and reasonable.

(ii) *The provision of services component*

For the provision of services component, we noted that the proposed annual cap for is determined by (a) the estimated transaction amount for 2023, being the annualized amount of the historical transaction amount for the eight months ended August 31, 2023; (b) the estimated annual growth of 3%; (c) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (i.e. the Exchange Rate Buffer); and (d) a buffer of 3% for unforeseeable circumstances.

As advised by the Management, the consultancy and guidance services are mainly provided by the Group's personnel in Taiwan. Hence, the cost of provision of services to PCC Group is mainly dependent on the Group's cost of human capital in Taiwan. The Management has made reference to the historical increase cost of human capital when determining the annual growth rate of 3%. For our due diligence purpose, we have obtained information relating to the Taiwan consumer price index from Bloomberg terminal. We noted that the Taiwan consumer price index recorded year-on-year growth of approximately 2.95% in 2022, being the latest available full year information. In addition, we noted, according to a press release dated February 17, 2023 (https://www.dgbas.gov.tw/News_Content.aspx?n=3602&s=230860) issued by the Directorate General of Budget, Accounting and Statistics of Executive Yuan of Taiwan, that the monthly salary of employees in Taiwan recorded year-on-year growth of approximately 2.8% in 2022. Accordingly, we consider the annual growth rate of 3% to be justifiable.

Having considered the above, Our View on the Exchange Rate Buffer, and that the buffer of 3% was applied for unforeseeable circumstances such as the unpredictable increase in demand from the PCC Group and increase in operating costs of the Group, we consider that the provision of services component of the PCC Connected Sales Caps is fair and reasonable.

In light of the above, we consider that of the PCC Connected Sales Caps are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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C. PCC Connected Purchases Transactions

Set out below are (i) the existing annual caps for each of the three years ended December 31, 2021, 2022 and 2023; (ii) the historical transaction amount for each of the two years ended December 31, 2021 and 2022 and the eight months ended August 31, 2023; and (iii) the proposed annual caps for each of the three years ending December 31, 2024, 2025 and 2026 (the “PCC Connected Purchases Caps”) as extracted from the Board Letter:

	For the year ended December 31,		
	2021	2022	2023
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
Existing annual caps	1,916	2,012	2,113
Historical transaction amount	1,915	2,006	1,489 <i>(note)</i>
	For the year ending December 31,		
	2024	2025	2026
	<i>(US\$'000)</i>	<i>(US\$'000)</i>	<i>(US\$'000)</i>
PCC Connected Purchases Caps	4,699	5,084	5,283

Note: for the eight months ended August 31, 2023

For our due diligence purpose, we have obtained a calculation of the PCC Connected Purchases Caps. We noted that the PCC Connected Purchases Caps were determined based on (i) the estimated purchase amounts of materials during the year; (ii) a buffer of 13% for exchange rate fluctuation between NTD and US\$ (i.e. the Exchange Rate Buffer); and (iii) a buffer of 3% for unforeseeable circumstances.

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In relation to the estimated purchase amounts of materials, we have obtained a breakdown showing the estimated amounts of materials purchase, which correspond to the estimated orders of Group's brand customers. For 2024, we noted that the estimated purchase amount is based on (i) the estimated order amount as indicated by the brand customer(s), where applicable, or (ii) the annualized historical purchase amount of materials relating to the particular customer in 2023 and the estimated annual growth of 15% (i.e. the 2024 Growth Rate), when customer's estimated order is not indicated. For 2025 and 2026, the estimated purchase amounts are based on (i) the estimated order amount as indicated by the brand customer(s), where applicable, or (ii) the estimated purchase amount of materials relating to the particular customer(s) in the previous year and the annual growth rate of 5%, when customer's estimated order is not indicated.

For our due diligence purpose, we have reviewed information relating to the estimated order indications provided by the brand customers to the Group. We noted that the estimated order indications as provided by the brand customers are in line with the estimated order amounts in the annual cap calculation. Having also considered (i) Our View on the 2024 Growth Rate; (ii) that the buffer of 3% was applied for unforeseeable circumstances such as the unpredictable increase in demand from the brand customers and cost of materials; and (iii) the annual growth rate of 5% applied for 2025 and 2026 caters for any potential increase in demand from the customers, we consider the estimated purchase amount of material for 2024 to 2026 to be fair and reasonable.

Taking into account the above and Our View on the Exchange Rate Buffer, we consider that the PCC Connected Purchases Caps are fair and reasonable.

5. Review and conditions of the Continuing Connected Transactions

In compliance with the Listing Rules, the Continuing Connected Transactions are subject to a number of conditions which include, among other things:

- (i) the Caps will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and confirm in the Company's annual report whether the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the auditor of the Company must, in accordance with the Listing Rules, review annually the Continuing Connected Transactions and they must confirm in a letter to the Board whether anything has come to their attention that causes them to believe that the transactions:
 - (a) have not been approved by the Board;
 - (b) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
 - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
 - (d) have exceeded the Caps;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditor cannot confirm the matters as required;
- (v) the Company must allow, and ensure that PCC Group allows, the auditor of the Company sufficient access to their records of the transactions for the purpose of the auditor's reporting on the Continuing Connected Transactions. The Board must state in the annual report whether the auditor of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Continuing Connected Transactions exceeds the relevant Cap(s), or that there is any material amendment to the terms of the Continuing Connected Transactions.

In light of the conditions imposed on the Continuing Connected Transactions, in particular, (1) the limit of the value of the transactions by way of the Caps; (2) the on-going review by the independent non-executive Directors and auditor of the Company regarding the terms of the Continuing Connected Transactions; and (3) the on-going review by the auditor of the Company confirming the relevant annual cap(s) not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the terms of the Supplemental Agreements (including the Caps) are on normal commercial terms and are fair and reasonable; and (ii) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the SGM to approve the Supplemental Agreements, the Continuing Connected Transactions and the Caps.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Clifford Cheng
Director

Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

I. Interests of Directors and chief executives

As at the Latest Practicable Date, the interests and/or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange are as follows:

(a) Long position in the Shares and underlying Shares

Name of Directors	Capacity	Number of Shares/underlying Shares held (Long position)				Total	Percentage of issued Shares (Note 1)
		Personal Interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	379,000	-	-	-	379,000	0.02%
Chan Lu Min	Beneficial owner	424,000	-	-	-	424,000	0.02%
Lin Cheng-Tien	Beneficial owner	227,000	-	-	-	227,000	0.01%
Liu George Hong-Chih	Beneficial owner	545,000	-	-	-	545,000	0.03%
		(Note 2)					
Shih Chih-Hung	Beneficial owner	66,000	-	-	-	66,000	0.00%

Notes:

- The total number of issued Shares as at the Latest Practicable Date is 1,612,183,986.
- Mr. Liu George Hong-Chih is interested in 90,000 Shares, which was granted by the Company with vesting conditions pursuant to the share award scheme of the Company.

- (b) Long position in shares and underlying shares of HK\$0.01 each of Pou Sheng, an associated corporation within the meaning of Part XV of the SFO

Name of Directors	Capacity	Number of shares/underlying shares of Pou Sheng held (Long position)				Total	Percentage of issued shares of Pou Sheng (Note)
		Personal Interests	Family interests	Corporate interests	Other interests		
Tsai Pei Chun, Patty	Beneficial owner	19,523,000	-	-	-	19,523,000	0.37%
Chan Lu Min	Beneficial owner	851,250	-	-	-	851,250	0.02%
Liu George Hong-Chih	Beneficial owner	-	414,000	-	-	414,000	0.01%

Note: The total number of issued shares of Pou Sheng as at the Latest Practicable Date is 5,326,179,615.

- (c) Long position in shares and underlying shares of NTD10.00 each of PCC, an associated corporation within the meaning of Part XV of the SFO

Name of Directors	Capacity	Number of shares/underlying shares of PCC held (Long position)				Total	Percentage of issued shares of PCC (Note)
		Personal Interests	Family interests	Corporate interests	Other interests		
Lu Chin Chu	Beneficial owner	1,070,470	73,300	-	-	1,143,770	0.04%
Tsai Pei Chun, Patty	Beneficial owner	4,177,779	-	-	-	4,177,779	0.14%
Chan Lu Min	Beneficial owner	336,452	-	-	-	336,452	0.01%
Lin Cheng-Tien	Beneficial owner	297,760	-	-	-	297,760	0.01%
Shih Chih-Hung	Beneficial owner	-	40,000	-	-	40,000	0.00%

Note: The total number of issued shares of PCC as at the Latest Practicable Date is 2,946,787,213.

Other than the interests disclosed above, none of the Directors nor the chief executives of the Company had or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at the Latest Practicable Date.

II. Interests of substantial Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons or corporation (other than a Director or chief executive of the Company) had, or were deemed or taken to have, an interest or short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Interests in the Shares

Name of Shareholders	Capacity	Number of Shares held (Long position)	Percentage of the issued Shares*
PCC	Interest of controlled corporations <i>Note (a)</i>	824,143,835	51.11%
Wealthplus Holdings Limited ("Wealthplus")	<i>Note (a)</i>	773,156,303	47.95%
Merrill Lynch & Co. Inc.	Interest of controlled corporations <i>Note (b)</i>	99,315,703	6.16%
Silchester International Investors LLP	Investment manager (Short Position)	112,952,000	7.01%
Merrill Lynch & Co. Inc	Interest of controlled corporations <i>Note (b)</i>	109,341,792	6.78%

* The total number of issued Shares as at the Latest Practicable Date is 1,612,183,986.

Notes:

- (a) Of the 824,143,835 Shares beneficially owned by PCC, 773,156,303 Shares were held by Wealthplus and 50,987,532 Shares were held by Win Fortune Investments Limited ("Win Fortune"). Both Wealthplus and Win Fortune are wholly-owned subsidiaries of PCC. Mr. Lu Chin Chu, Ms. Tsai Pei Chun, Patty and Mr. Chan Lu Min, the executive Directors, are also directors of PCC and Wealthplus. Mr. Lu Chin Chu and Mr. Chan Lu Min are directors of Win Fortune. For further details of the positions held by the executive Directors in PCC, Wealthplus and/or Win Fortune, please refer to pages 24 to 27 of the 2022 Annual Report.

- (b) Merrill Lynch & Co. Inc. is deemed to be interested in 35,000 Shares (long position) held directly by Merrill Lynch Portfolio Managers Limited (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch Portfolio Managers Limited. Merrill Lynch Portfolio Managers Limited is wholly-owned by ML Invest, Inc., which is in turn wholly-owned by Merrill Lynch Group, Inc., which is in turn wholly-owned by Merrill Lynch & Co. Inc..

Merrill Lynch & Co. Inc. is also deemed to be interested in 5,985,785 Shares (long position) and 2,620,000 Shares (short position) held directly by Blackrock, Inc. (for discretionary clients) under the SFO by virtue of its interest in more than one-third of the voting shares in Blackrock, Inc.. Merrill Lynch & Co. Inc. owns 49.8% of Blackrock, Inc. through its various subsidiaries, namely, Princeton Services, Inc., Princeton Administrators, L.P., Merrill Lynch Investment Managers, L.P. and Fund Asset Management, L.P., which are all 99% owned by Merrill Lynch & Co. Inc. except for Princeton Services, Inc., which is wholly-owned by Merrill Lynch Group, Inc.. Merrill Lynch Group, Inc., which is wholly-owned by Merrill Lynch & Co. Inc., is also deemed to be indirectly interested in the 5,985,785 Shares (long position) and 2,620,000 Shares (short position) held directly by Blackrock, Inc..

In light of the above, Merrill Lynch & Co. Inc. is deemed to be interested in an aggregate of 6,020,785 Shares (long position) and 2,620,000 Shares (short position).

Merrill Lynch & Co. Inc. is also deemed to be interested in 93,294,918 Shares (long position) and 106,721,792 Shares (short position) held directly by Merrill Lynch International under the SFO by virtue of its interest in more than one-third of the voting shares in Merrill Lynch International. Merrill Lynch & Co. Inc. holds Merrill Lynch International indirectly through six wholly-owned subsidiaries namely, Merrill Lynch International Incorporated, Merrill Lynch International Holdings Inc., Merrill Lynch Europe Plc, Merrill Lynch Europe Intermediate Holdings, Merrill Lynch Holdings Limited and ML UK Capital Holdings. ML UK Capital Holdings is wholly-owned by Merrill Lynch Holdings Limited, which is in turn wholly-owned by Merrill Lynch Europe Intermediate Holdings, which is in turn wholly-owned by Merrill Lynch Europe Plc, which is in turn wholly-owned by Merrill Lynch International Holdings Inc., which is in turn wholly-owned by Merrill Lynch International Incorporated, which is in turn wholly-owned by Merrill Lynch & Co. Inc.. Merrill Lynch International is 97.2% owned by ML UK Capital Holdings. The above has been prepared based on the disclosure of interest form filed with the Company dated March 10, 2008.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company were not aware of any person or corporation (other than a Director or chief executive of the Company) who had, or was deemed or taken to have, an interest or a short position in the Shares and underlying Shares which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

III. Interests in competing business

Between the Company and Pou Sheng

The Company is deemed to be interested in approximately 62.55% interest in Pou Sheng as at the Latest Practicable Date which is accounted for as a subsidiary of the Company. Pou Sheng is listed on the main board of the Stock Exchange. The principal businesses of the Pou Sheng Group are engaged in the distribution and retailing of sportswear and footwear products and provision of large scale commercial spaces to retailers and distributors for commissions from concessionaire sales.

As at the Latest Practicable Date, Ms. Tsai Pei Chun, Patty, who is an executive Director and the managing Director, is also a non-executive director of Pou Sheng. Ms. Tsai also holds certain shares in Pou Sheng.

As the Company and Pou Sheng are separate listed entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independently of, and at arms length from Pou Sheng. As Pou Sheng no longer has any footwear manufacturing business, it is expected that there will not be any competition between the Pou Sheng Group and the Group in terms of the Group's footwear manufacturing business.

Between the Company and Eagle Nice

As at the Latest Practicable Date, the Company held indirectly approximately 35.96% interests in Eagle Nice whose shares are listed on the main board of the Stock Exchange. Eagle Nice is principally engaged in the manufacturing and trading of sportswear and garments. Based on the published annual report of Eagle Nice, the revenue of Eagle Nice for the year ended March 31, 2023 was approximately HK\$4.1 billion. As the Group's principal activities are manufacturing and sales of footwear products, as well as retail and distribution of sportswear and footwear products, the business of Eagle Nice and the Group potentially compete with each other.

As at the Latest Practicable Date, Mr. Shih Chih-Hung, who is an executive Director and chief financial officer of the Company, is also an executive director of Eagle Nice.

As the Company and Eagle Nice are separate listed entities run by separate and independent management, the Directors believe that the Company is capable of carrying on its business independent of, and at arms length from Eagle Nice.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or, so far as is known to them, any of their respective close associates had any interest in a business which may compete with that of the Group and which is required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance were pending or threatened against any member of the Group.

5. MATERIAL ADVERSE CHANGE

Reference is made to the interim report of the Company for the six months ended June 30, 2023 (the "**Interim Report**"), which disclosed that the Group recorded a decrease of 52.2% in profit attributable to owners of the Company (the "**Profit**") of US\$83.6 million for the six months ended June 30, 2023 as compared to the Profit of US\$175.0 million for the corresponding period in 2022. Such decrease was mainly due to weakness in the Group's manufacturing business resulting from softer global demand for footwear amid the current inventory destocking cycle taking place across the industry. Please refer to the Interim Report for a more detailed discussion.

Save as disclosed above, the Directors confirm that, as at the Latest Practicable Date, there has been no material change in the financial or trading position of the Group since December 31, 2022, being the date up to which the latest published audited consolidated financial statements of the Group were made up.

6. EXPERT

- (a) The following is the qualification of Somerley Capital Limited, the Independent Financial Adviser, which has given its opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since December 31, 2022, being the date up to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name included in this circular in the form and context in which they appear.

7. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2022, being the date up to which the latest published audited consolidated financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

8. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Ng Yin Ling, Jennifer.
- (b) The principal place of business of Company in Hong Kong is at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The branch share registrar and transfer office of the Company is Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) In the event of inconsistency, the English text of this circular and the form of proxy shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.yueyuen.com>) in accordance with the Listing Rules from the date of this circular up to and including the date of the SGM:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 17 to 18 of this circular;
- (b) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 41 of this circular;
- (c) the written consent of Independent Financial Adviser referred to in the section headed "Expert" in this Appendix; and
- (d) each of the Supplemental Agreements.

NOTICE OF SPECIAL GENERAL MEETING



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Yue Yuen Industrial (Holdings) Limited (the “Company”) will be held at 10:00 a.m. on Tuesday, December 5, 2023 at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, which will be proposed as ordinary resolutions of the Company. Unless the context otherwise requires, terms defined in the circular of the Company dated November 10, 2023 (the “Circular”) shall have the same meanings when used in this notice.

ORDINARY RESOLUTIONS

- (1) “THAT the eighth supplemental agreement (the “Eighth Supplemental PCC Services Agreement”) dated October 6, 2023 entered into between the Company and Pou Chen Corporation (“PCC”) which is supplemental to the PCC Services Agreement (as defined in the Circular), under which, inter alia, PCC agreed to provide services relating to research and development, know-how, technical, marketing and consultancy, sourcing of raw materials, materials, components, machinery and other goods, recruitment of staff in relation to the production and sale of the products of the Company and its subsidiaries (the “Group”) and general administration support, be and is hereby approved, confirmed and ratified and that the period caps in respect of such transactions as set out in the Eighth Supplemental PCC Services Agreement (the details of which are summarised in the Circular) and the transactions contemplated therein, be and are hereby approved, confirmed and ratified and that the directors of the Company (“Directors”) be and are hereby authorised to take all actions and execute all documents which they deem necessary, required or appropriate, in order to implement and validate anything related to the Eighth Supplemental PCC Services Agreement;”

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (2) “**THAT** the seventh supplemental agreement (the “**Seventh Supplemental PCC Connected Sales Agreement**”) dated October 6, 2023 entered into between the Company and PCC which is supplemental to the PCC Connected Sales Agreement (as defined in the Circular) under which, inter alia, the Group agreed to manufacture and supply leather, moulds, production equipment and tools, finished and semi-finished shoe products and quality control inspection tools to PCC and its subsidiaries (the “**PCC Group**”) and provide consultancy and guidance services to the PCC Group as may be ordered or requested by the PCC Group on the terms of each order/request accepted by the Group, be and is hereby approved, confirmed and ratified and that the period caps in respect of such transactions as set out in the Seventh Supplemental PCC Connected Sales Agreement (the details of which are summarised in the Circular) and the transactions contemplated therein, be and are hereby approved, confirmed and ratified and that the Directors be and are hereby authorised to take all actions and execute all documents which they deem necessary, required or appropriate, in order to implement and validate anything related to the Seventh Supplemental PCC Connected Sales Agreement”; and
- (3) “**THAT** the seventh supplemental agreement (the “**Seventh Supplemental PCC Connected Purchases Agreement**”) dated October 6, 2023 entered into between the Company and PCC which is supplemental to the PCC Connected Purchases Agreement (as defined in the Circular) under which members of the Group agreed to purchase from the PCC Group raw materials, shoe-related products, moulds and manufacturing equipment and production tools, be and is hereby approved, confirmed and ratified and that the period caps in respect of such transactions as set out in the Seventh Supplemental PCC Connected Purchases Agreement (the details of which are summarised in the Circular) and the transactions contemplated therein, be and are hereby approved, confirmed and ratified and that the Directors be and are hereby authorised to take all actions and execute all documents which they deem necessary, required or appropriate, in order to implement and validate anything related to the Seventh Supplemental PCC Connected Purchases Agreement.”

For and on behalf of
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

Hong Kong, November 10, 2023

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
22nd Floor, C-Bons International Center
108 Wai Yip Street
Kwun Tong, Kowloon,
Hong Kong

NOTICE OF SPECIAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote in his/her stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, no later than 10:00 a.m. on Sunday, December 3, 2023 (Hong Kong Time), or not less than 48 hours before the time for holding the adjourned meeting (as the case may be).
- (2) **The register of members of the Company will be closed from on Wednesday, November 29, 2023 to Tuesday, December 5, 2023 both dates inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, November 28, 2023 in order to establish the identity of the shareholders who are entitled to attend and vote at the SGM ("Entitlement to SGM"). The record date for the Entitlement to SGM will be on Wednesday, November 29, 2023.**
- (3) If a tropical cyclone warning signal No. 8 or above is hoisted, or "extreme conditions" caused by super typhoons exist, or a black rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed and members will be informed of the date, time and venue of the postponed SGM by a supplementary notice, posted on the respective websites of the Company and Hong Kong Exchanges and Clearing Limited.

The SGM will be held as scheduled when amber or red rainstorm warning signal is in force.

After considering their own situations, members should decide whether they would attend the SGM under bad weather condition and if they do so, they are advised to exercise care and caution.

- (4) **No refreshment or corporate souvenir will be provided at the SGM.**
- (5) The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.